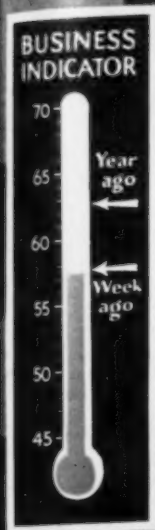


OCT. 13
1934

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BUSINESS WEEK



WAR OR PEACE?—President Green, at the San Francisco convention of the American Federation of Labor, answers President Roosevelt's appeal for industrial truce.

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S WEEK



GETTING

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them that way

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In buying cans, remember: ABILITY to serve you well is as important as the WILL to serve you well.

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Have you laid in your share of this Genuine Pre-Prohibition Whiskey?

It's dwindling fast—and it's strictly limited, so better act quickly if you want to reserve some of this true vintage liquor for your own cellar

EVERYONE, at least on special occasions, likes to have a few bottles, or cases, of extra-rare old American whiskey on hand.

Unfortunately this will soon be impossible unless you stock up now.

The Nation's entire available supply is limited by the fact that it had to be laid down before prohibition to attain vintage age today—and what little remains is rapidly dwindling to the vanishing point—as is ours.

When this diminishing supply of rare old whiskey is exhausted, you will never see any more, as the government requires that whiskey be withdrawn at the end of 8 years from barrels and bottled for purposes of revenue.

In fact, our famous 16-year-old Old Taylor is now completely sold out—showing the way of the wind.*

The rest of this venerable stock includes Sunny



The famous brands Old Grand Dad, Sunny Brook and Mount Vernon make up the greater part of this special limited stock, but also there are small quantities remaining of BOURBON de luxe, Old McBRAYER, BLACK GOLD, BLUE GRASS and Old RIFY

Whiskey so rare as this is really "occasion" whiskey—not for the everyday cocktail or highball, but for the unusual occasion

Brook and Old Grand Dad—each 16 to 18 years old—and several other mellow old bourbons.*

Also one famous rye—Mount Vernon—12 to 13 years old—and smooth as liquid silk.*

These were names to conjure with before the war, and the few cases that remain, heavily drawn against every day, are prizes of a very rare order.

And while they are a bit costly for everyday service, you'll be proud, in days to come, to bring out a bottle or so for specially favored guests. The government stamp attests their rare age; and a neat glass sniffed or sipped will demonstrate their marvelous bouquet and flavor.

*You'll always be able to call for these famous brand names—and get the finest 4-year-old or older, bottled in bond whiskies in America. Only the very old, prohibition-aged stocks are referred to in this advertisement.

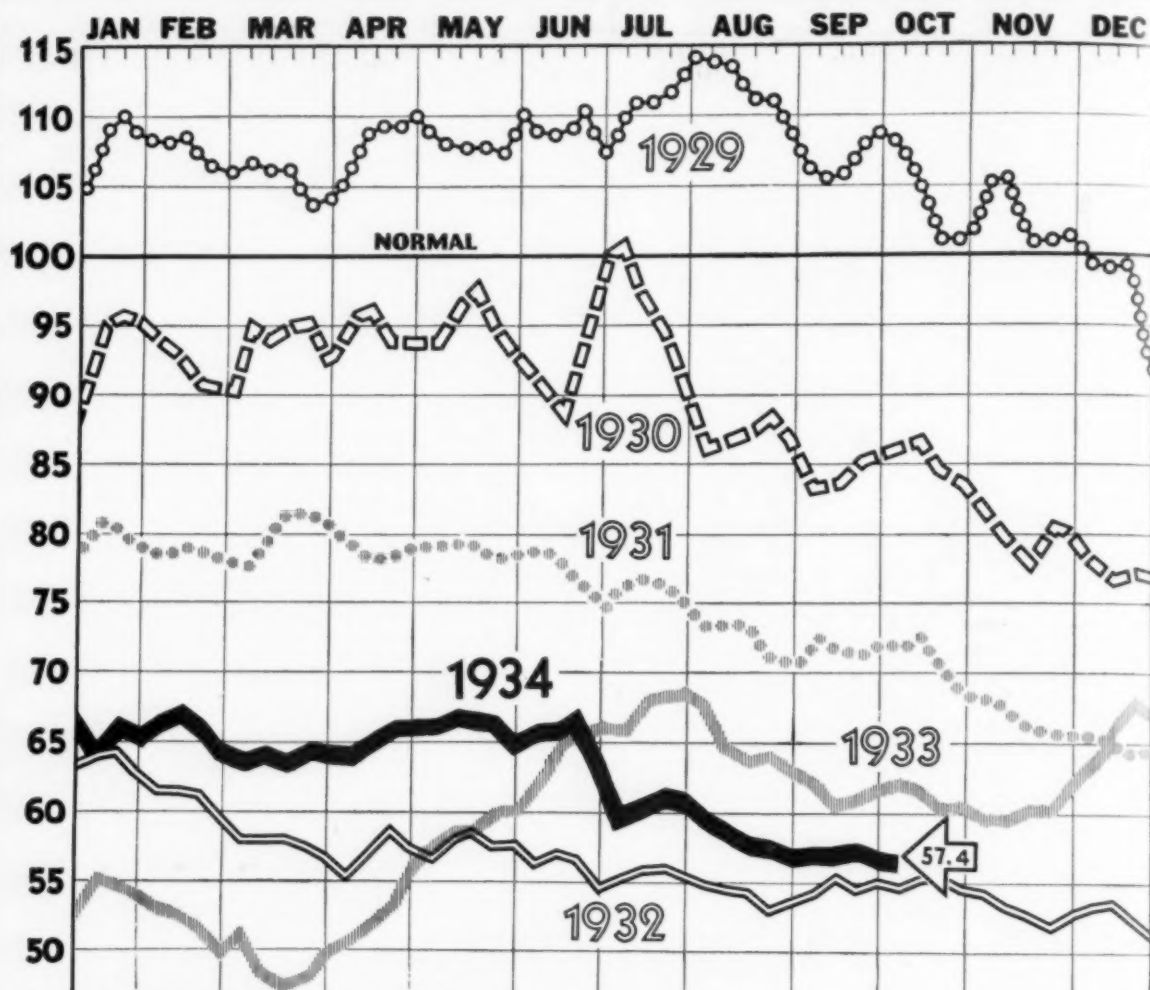
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BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

PRODUCTION

★ Steel Ingot Operation (% of capacity)	23.6	23.2	38	44
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	\$4,542	\$4,517	\$4,620	\$10,423
★ Bituminous Coal (daily average 1,000 tons)	*1,217	†1,158	1,146	1,400
★ Electric Power (millions K.W.H.)	1,659	1,649	1,646	1,666

TRADE

Total Carloadings (daily average, 1,000 cars)	107	107	112	140
★ Miscellaneous & L.C.L. Carloadings (daily average, 1,000 cars)	68	67	69	90
★ Check Payments (outside N. Y. City, millions)	\$3,596	\$3,057	\$3,331	\$4,859
★ Money in Circulation (daily average, millions)	\$5,477	\$5,429	\$5,376	\$5,131

PRICES (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.)	\$1.02	\$1.06	\$0.87	\$0.75
Cotton (middling, New York, lb.)	\$1.24	\$1.26	\$0.98	\$1.03
Iron and Steel (STEEL, composite, ton)	\$32.09	\$32.13	\$30.59	\$31.66
Copper (electrolytic, f.o.b. refinery, lb.)	\$0.88	\$0.88	\$0.84	\$0.98
All Commodities (Fisher's Index, 1926 = 100)	79.7	80.1	71.1	75.6

FINANCE

Federal Reserve Credit Outstanding (daily average, millions)	\$2,456	\$2,463	\$2,436	\$1,753
Loans and Investments, Federal Reserve rep't'g member banks (millions)	\$17,811	\$17,789	\$16,548	
★ Commercial Loans, Federal Reserve reporting member banks (millions)	\$4,747	\$4,713	\$4,914	
Security Loans, Federal Reserve reporting member banks (millions)	\$3,047	\$3,080	\$3,651	
Brokers' Loans, N. Y. Federal Reserve rep't'g member banks (millions)	\$725	\$740	\$790	\$2,451
Stock Prices (average 100 stocks, Herald Tribune)	\$95.79	\$95.93	\$96.74	\$126.61
Bond Prices (Dow, Jones, average 40 bonds)	\$92.58	\$92.09	\$84.30	\$87.89
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	2.9%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1-1%	1-1%	1%	2.9%
Business Failures (Dun and Bradstreet, number)	248	203	263	429

* Preliminary † Revised ★ Factor in Business Week Index

The Business Outlook

SEASONAL expansion of business activity is slowly getting under way, though such major industries as steel, construction, and automobile manufacturing are temporarily very quiet. Carloadings are probably at the year's peak now, ready to decline sharply to the customary year-end low without having succeeded in breaking through last year's level since July. The first 9 months are, however, 8% above last year at this time. Soft coal production is expanding as winter approaches, and commercial loans continue to rise reaching new highs for the year in the St. Louis district and within \$1 million of the year's peak in San Francisco.

Retail Sales Strong

Most brisk are those industries close to the retail consumer. Department store sales, and particularly mail order house sales last month, were well ahead of last year. Montgomery Ward reports the most encouraging results from those states which suffered severely in the drought. Other concerns report the best September in years, indicating that the consumer is hesitating less to part with his cash than some business establishments. A recent survey indicated that while 90% of the group covered were convinced that inflationary tendencies were increasing, two-thirds of this number were doing nothing about it. In other words, inventory replenishment is still a hand-to-mouth affair, with much of it falling short of the mouth.

Talk Slows Buying

This hesitation to assume risks, which the recent flurry of questionnaires indicated was due to business uncertainty concerning governmental policy, is proving a stumbling block to Washington. Price fixing and production control were targets of criticism, but no sooner did Richberg indicate a willingness to scrap these features from many of the codes than protests began to pour into headquarters begging for their retention. The coal industry felt that the mere discussion of the subject has held off buying in anticipation of price cuts. The lumber industry, members of which were prosecuted for undercutting their code price, urged retention of the principle. Even the steel industry, whose code places no restriction on the filing of lower prices at any time, voices apprehension of modification of its open-price plan, and consumers are withholding orders in the hopes that a price break may occur. Between the conflicting demands of industry itself, the new NRA policy

board will be compelled to proceed slowly with changes. The first test arises in the cigarette price case, existing levels expiring on Oct. 13. Clay Williams, former tobacco company head, is a member of the board making the decision, which may be an extension of present prices until further study can be made. On the other hand, close watch is being made of trends in the tire industry, where "floor" prices expired without being followed by an immediate price war.

Control Alarms

Production control offers another problem. The textile industry is alarmed at the prospect of relaxation of output limitations. Control of machine hours benefits those who have the largest number of machines in period of slack demand, works a hardship on the small mill whose orders may exceed the production allowed. In the restriction of hours now under consideration in the cotton garment industry, another difficult proposition arises. Labor approves the measure, plus rate increases, to spread employment, and will support such a plan in Congress. The Administration is believed to shy away from the scheme.

Jobs for Congress

Congress will also get a chance to clean up the troublesome labor representation problem. With majority rule upheld in the Houde case, proportional representation in the automobile settlement, and Richberg—with a lawyer's knack of bending apparent conflicts into line—declaring the two may exist side by side, industry is left pretty much confused. Meanwhile the steel industry challenges the authority of the National Steel Labor Board now holding hearings on discrimination and interference with collective bargaining cases. The truce proposal that caused such a stir when first broached by the President is quietly being developed. So far, only the textile union has offered to abide by the decisions of the established labor boards for 6 months without striking, a safe offer in view of the public disapproval of its recent strife.

Washington and Business

Now that Washington is assuaging the wrath of business by soft words

and listening attentively to complaining visitors in the best parlor, industry is beginning to feel that its recent and sudden burst of criticism is having favorable effect. The budget balancing problem, however, will remain unsolved for 1936, with 1937 too far off to be discussed. Though revenue for the current fiscal year has already passed a billion, a substantial gain over last year, expenditures continue to exceed income. The Administration is hoping that higher business volume will reduce the need to lift tax rates.

Farm Prices and Food

Whether the decline in farm and food prices of the last few weeks will tend to pull the general price level down seriously is doubtful, but worth watching for signs of government action. So far, other commodities have been fairly stable. The cost of living jumped 1.8% in September over August, chiefly as a result of a 4.4% gain in food prices. The spectacular rise in prices paid to farmers this year lifted the index in September 2% above the pre-war base years.

Employment Straw

First of the September employment reports—for New York State—appeared with indications of a slight rise in employment and payrolls despite the heavy toll of the textile strike. October should see a further seasonal expansion as textile mills attempt to make up for lost time. The industry expects to expand steadily, reaching its peak in 1935.

Detroit Takes a Holiday

Detroit was so busy attending the world series, that the slump in production was virtually forgotten. September was the first month to fall below a year ago, and October output will be still lower. A number of plants are closed. Extraordinary procrastination in bringing out new models features the industry this year, with fears that stepped-up production will immediately invite labor strife. The gain in August machine tool orders following a steady decline since January is encouraging.

Construction Falls Off

Construction contracts in September fell 8% below August, were the smallest of the year excepting February. Both residential and public works awards fell off more than 17% in the month. Only buildings for non-residential purposes made a significant gain in the month. Further support for the construction industry from governmental sources is inevitable, with Mr. Ickes hinting that even a billion might not be enough.



THE *Tail* DOES WAG THE *Dog*

ONLY one per cent of the weight of a locomotive is in the driving rods. Yet by making these rods of Alcoa Aluminum, the performance of the locomotive is so greatly improved, that we use it as a distinguished example of the application of Aluminum to mass-in-motion.

To explain: The driving rods surge back and forth, at top speed, over 300 times per minute. This terrific pendulum-effect is partially offset by adding counterbalances on each wheel. But, no matter how scientifically these weights are calculated or placed, perfect balance is never attainable at all speeds. In actuality, each wheel runs out of balance. This constant hammering may cause serious stresses in the rail. The wandering-force called "nosing," may even

derail the locomotive. Both rail-hammer and nosing limit the speed of the locomotive. Thus does the tail wag the dog!

Aluminum reduces the weight of the rods by half. Counterbalance and the unbalance are similarly reduced. Better, faster, safer performance is the result.

When things that move weigh less, they require less power to start, to keep moving, to stop. That money-saving formula is being fulfilled every day by Alcoa Aluminum. If you will think in those terms about using Alcoa Aluminum in your business, you will invite us today to help you make it your economical servant.



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Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—Competent observers here, including severe critics of the New Deal, seem generally agreed in the opinion that the Supreme Court will uphold the emergency authority of the President. They believe the Frazier-Lemke act may be upset, but nothing else in the New Deal legislation.

How elastic is the Constitution? That is the real question the court must decide in the cases which it accepted this week for review.

No October Wars

Assassination of Yugoslavia's King Alexander and France's Foreign Minister, M. Barthou, started the embassies buzzing with war talk, of course. And equally of course, some cynic mentioned that a war would help business—for awhile. But a statesman with a penchant for history pointed out that of the last 24 important wars, 23 started in July and 1 in August. October is all wrong. Crops are in, but winter is too close.

Guessed Wrong Once

First reaction in Washington in 1914 was to accept the Sarajevo assassination as "one more Balkan affair." That bad guess has made the capital unusually sensitive to "incidents" in southeastern Europe's tinder box. French, Yugoslav, and Italian bonds sold off at once. Trend of thinking was: French influence (a stabilizing factor) is weakened in central Europe; Mussolini may feel it necessary to send troops to "preserve order" in troubled Yugoslavia. Actually, the capital foresees no immediate crisis, but many long-term effects which can be judged only after Belgrade has time to digest the situation.

Prices Almost "Satisfactory"

Evidently believing the gesture would be reassuring to business, the President went to some pains to talk about price levels. The Administration goal for prices has not been attained, but nearly. Progress lately has crawled. There is no commitment to 1926 averages. When the price goal is reached, the Administration will be much interested in trying to stabilize, to prevent fluctuations of 500% to 1000%, as shown since 1920. No plan has been worked out. The price of gold might be a factor—stressing "a."

Stability certainly would be reassuring to business—the means chosen to attempt it might not be. There was obvious reluctance—or unreadiness—to discuss means.

THIS WEEK

The Supreme Court agrees to look at the New Deal.

When wars start.

NRA's patient price plans.

A new boss for oil.

Just a Referee

Donald Richberg has taken on the job of proving that his philosophy is sound and friendly to business. He does not believe NRA's troubles will be solved until they are solved right, and this is to be done by preserving fair competition, not destroying it. General Johnson thought NRA could be put over and kept going only by a big push and ballyhoo. Richberg believes it will stick if mistakes are corrected and the whole plan revamped to fit the just needs of all concerned. Government should do little more than referee the game.

Tests for Code Prices

NRA is going to put a bottom on prices. It is going to be done industry by industry. The test for continuing price controls will be whether they are the best or the only solution of basic difficulties of the industry. If they are the solution, that implies they are a necessary protection to employment.

Test of fairness of prices, according to Richberg, is competition between willing sellers and buyers in a free market.

Revised plans for compliance and enforcement will use the Department of Justice more effectively than in the past, and pull in the Federal Trade Commission.

Again the Oil Battle

Another hard drive to impose on the oil industry the legally questionable federal control is imminent. Ralph Horween of Chicago is slated to be the new Assistant Secretary of the Interior to take on the job. His work for the Petroleum Administrative Board won Ickes' confidence.

In consenting this week to review the Amazon oil case, the Supreme Court did not indicate whether it would confine itself to considering the

validity of Section 9-c of NIRA, which merely empowers the President to prohibit interstate shipment of oil produced in excess of state quotas, or whether it will render an "advisory" opinion on the missing provision of the oil code which condemns production of such hot oil as a violation. Ickes is on record as saying that once produced, it is impossible to prevent hot oil from crossing state lines.

Truce Plan Developing

Labor truce visits to the White House are increasing in number. The President is consulting not only with big employers and laborites, as promised, but also is pulling in experts in his official family to tell about various plans tried. Maj. George L. Berry was called in to express his enthusiasm for the construction code's planning and adjustment board, which he says will abolish jurisdictional strikes.

One prediction is that mediation boards for all industries may be the machinery for carrying out the truce.

30-Hour Week

Fight for a 30-hour week law may eclipse and perhaps smother other labor legislation before the next Congress. Aware that the A. F. of L. declared at San Francisco that it is going to fight militantly for the 30-hour week, the Administration nevertheless is against it. It believes a blanket 30-hour law would create myriad bottlenecks in industries using skilled labor.

Why Not Roper?

Business representatives here are not pleased that Secretary Roper was left off the board which is to draft the new NRA law. Roper would supply balance against Ickes and Madam Perkins. In part business men are to blame for not building up Roper; in part Roper is to blame because business men say you have to be a Teagle or a Swope to get past his secretary.

Dwarfing TVA

Secretary Dern is undertaking a month's study of the comprehensive plan for the development of the Mississippi and tributary valleys. The plan, if adopted, would dwarf TVA.

Businesslike Books

Secretary Ickes has ordered formulation of consistent plans for cost-keeping and capital charge allotments in reclamation work where power is sold. The previous week, he ordered like action in administration of any PWA-supported jobs constructed by the Chief of Engineers. This is encouraging. Even more so is his decision restricting municipal power projects competitive with private utilities.

Saved \$15,600 in Six Months on \$14,500 Investment

THIS astonishing return was obtained by utilizing the latest method of electric-furnace brazing in manufacturing certain equipment at the Schenectady plant of the General Electric Company. The new method required a \$14,500 investment in a new belt-conveyor-type electric-brazing furnace. However, this new furnace did the work better and faster, and at so much lower cost than was possible with previous methods, that the wisdom of making the investment was quickly proved.

The time in which the resulting savings will liquidate a wise original investment varies widely. The number of cases where this has been done within three years *at existing rates of production* is legion.

Many industrial plants have already strengthened their competitive positions through similar profitable changes and are still alert to discover additional opportunities. A new search started by you TODAY may uncover surprising ways to reduce your costs, and at the same time to improve the quality and salability of your products.

Competent G-E sales engineers will gladly discuss with you any problem which might be solved to the best advantage electrically.

Avoiding CAPITAL INVESTMENTS by operating obsolete equipment *wastes* more capital, frequently, than is needed to purchase modern, improved equipment. Obsolete equipment adds to losses indefinitely. The *right* kind of modernization pays for itself and *then* adds to earnings.

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BUSINESS WEEK

OCTOBER 13, 1934

Business Has a Suitor

Every resource of the Administration suddenly is turned to the job of allaying the suspicions and wooing the good will of business for the New Deal.

WASHINGTON—The most interesting, most amusing, and certainly the most encouraging recent development in the capital is the obvious effort to cultivate the good will and the support of business for the New Deal.

No possible angle is being neglected, no Administration member is excused from active duty in the campaign, nothing is being left undone. Every Cabinet member has renewed his friendly gestures and kind words; the hands stretched out to the business press are enthusiastic in their friendliness to the good brothers of capitalism.

NRA has set up a special trade paper section, to serve diligently the needs of correspondents and distant editors. Letters to editors, in praise of articles, or in protest against those that "really don't help things along, old man," fill the mails in officially franked envelopes.

Donald Richberg, speaking to the assembled journalists at a luncheon at the Press Club, has his press agent (who is happily a former president of the Press Club) at his side at the head table. Everywhere there is a spirit of camaraderie even beyond the usual pre-election excitement in official circles over the gentlemen and ladies of the press. It's all pretty new to the business press.

Kind Words for Profits

Meanwhile, the barrage of speeches goes on. John Dickinson, Assistant Secretary of Commerce, took his official life in his hands, it is agreed in Washington, when he spoke at Providence immediately after the President's Green Bay speech, assuring business that the profit motive was not dead, and that reassurance was all right to ask for and get. But the idea took hold, and in succession, Secretary Roper and Secretary Perkins (arch enemy of "capitalism") came out with sweet words for profits and reassurance for business.

Finally the President himself did the best he could on Sunday night, Sept. 30, and invited business to come to him and talk. Not to mention Professor Moley's dinners with business leaders.

Business men have been coming here and reassurance just oozes from their pleased smiles as they leave the White House—and it is in the glamorous oval

Blue Room of the White House itself, not in a mere office building, that visitors now interview the President. All through October these visits are to continue, some of them over night, many for meals. All the power and glory of the office is being used upon the visitors. It is a process which never has failed to win support, from the days when troublesome Tories were invited to drive all the way out to Mount Vernon to have a quiet and friendly chat over the importance of supporting the liberal government of the young republic.

It will probably not fail now, especially as the Administration has so obviously decided it is time to convert business leadership to its side. And in view of the fact that about all business has been asking for is recognition that it has some place in the New Deal, other than shoveling coal to the boilers, the



WIDE WORLD
RAYMOND MOLEY—The former chief Brain-Truster turns good-will ambassador for the Administration.

very gestures and the smiles themselves are of prime significance.

Quite aside from gestures and good words, the Administration is taking a leaf from General Johnson's notebook and is seeking to rebuild the shattered ranks of NRA executives with the same type of business men that General Johnson brought down in the glamorous early days of NRA. The "personnel problem" of NRA (in the higher brackets, that is), is admittedly one of the most serious difficulties facing Chairman Williams and the new NIRB. But the fact that the search is for self-sacrificing business men and not self-sacrificing professors can very justly be taken as significant and encouraging.

Cinderella seems to be going to have a chance to try on the crystal slipper and lead at least one of the marches at the Recovery Ball.

Now, Prices

Predictions: (1) Nothing will be done hurriedly about code price controls. (2) Actual price-fixing is in bad. (3) Open prices will survive.

EVERYTHING in the NRA codes which relates to prices is under the microscope. It is true that the first job of the new board which is running NRA will be to wrestle with price and production control provisions of codes. But it is not true, as hasty readers of newspapers may have gathered, that everything is going to be upset in a great hurry.

Price-fixing provisions will not be eliminated in one fell swoop. There will be no announcement of a rigid "policy." In the codes where price-fixing controls exist, they will be talked out, not thrown out—one industry at a time. To be sure, the courts may solve the whole problem, if the ruling in Tennessee that price controls are not authorized under NIRA is upheld. But the policy at NRA on decisions of lower courts, even though they be injunctions, is to go ahead pending higher decisions. So far, no major decision has been handed down by the Supreme Court.

The daily press has never distinguished between price-fixing and the open price plan. Price-fixing is in bad. Open price plans are not. Last word is the NRA decision of June 7 which describes open price filing as the sending to an impartial agency, either named by the code authority, or the trade association, or independently, of price dis-

counts, rebates, allowances, and terms and conditions of sale. No higher price may be filed within 48 hours. This may also include only past quotations, and may or may not be available to competitors by name of filing company.

This differs radically from price-fixing. The prices under open price list plans are those of individual companies, while fixed prices are those agreed upon by competitors. The latter scheme is the type of pricing which is now pretty much on the run. Industries are not too sorry. Mr. Richberg calls it "a lopsided guild socialism misnamed price stabilization."

In any event, each case will be approached on its own, not on any preconceived or arbitrary basis.

Four Major Principles

In the studies of pricing which are being made, 4 major principles have been discovered. One is that the pricing picture is vastly complicated. The rubber tire code price study covered 50 pages. Another is the extreme difficulty of obtaining real cost data. The retail solid fuel industry came to blows with NRA because NRA demanded statistical data for the declaration of an emergency and the fixing of prices. A third is that putting price controls into effect leads far afield. The retail lumber dealers had to drag in wholesalers and producers. Fourth were the myriad methods of evading fixed prices even when set. They balloon out in one direction when held in elsewhere, through discounts, advertising allowances, premiums, fake purchases of retail goods.

The consumers' groups have been consistently opposed to price fixing, but even there the inability to make fixed rules is obvious. The consumers' board allowed price-fixing to go through unprotected in only one code, that of waste paper, where the Salvation Army was the price chiseler.

Lumber Price-Fixing

Price control problems of lumber code come to head in Chicago meeting and Memphis court.

IN Chicago last week 600 lumber manufacturers, wholesalers, and retailers sat for days debating the minimum cost-protection price provisions of the lumber code. When it came to voting on retention of these provisions, the lumber code authority polled 35 ayes, 1 no.

In Memphis, Tenn., a day later, one judge in the Federal District Court of Memphis, Tenn., granted a group of recalcitrant hardwood manufacturers an injunction against prosecution by the U. S. District Attorney for disregarding those pricing provisions.

Judge Harry B. Anderson held that "there is no mention in the act itself of price-fixing or price protection." He

spiked the obvious rejoinder that the act purposes to "eliminate unfair competitive practices" by pointing out that the term "fair competition" has been defined "by a long line of judicial decisions" which "do not include price-fixing." And he asserted that the Hardwood Manufacturers Institute "cannot institute criminal prosecution under the act or any other act."

At NRA headquarters Blackwell Smith, acting general counsel, declared that the Memphis case will be appealed.

Before the Chicago gathering dispersed, the West Coast Division, stand-offish even while the code was being written, gave notice that the 35-to-1 decision to retain price provisions would be appealed to NRA.

David T. Mason, executive officer of the Lumber Code Authority, holds that "abandonment of price control would lead promptly to tremendous losses . . . unemployment for many people, a period of chaos in the industry." However, those familiar with the pricing provisions in the lumber code say that ultimate revision is inevitable. They contend that the formula on cost protection obtained on a "national resource plea" is too stiff, works a hardship on many at a time when all are struggling for existence and when substitute materials are making inroads.

The National Lumber Manufacturers Association announced at Chicago that business booked at lumber mills during the third quarter of 1934 was 11.5%

below the output for the period and 12% less than in the same period of 1933, and that unfilled orders on Sept. 29 at 622 reporting mills were the equivalent of 21 days' average production, as compared with 27 days at the end of the second quarter and 20 days a year ago.

Opposition Case

The West Coasters' opposition contended that lumber price-fixing is basically unsound and impossible of enforcement. The "chiseling," it was charged—and generally admitted—has gone to the extent where retailers have been granted the discount allowed the wholesale trade. Furthermore, wholesalers, not being under the code, are not bound by the minimum prices. NRA is to be asked to issue an order to correct this latter situation. It would require those bound by the code to make no discount allowances to any wholesaler who does not sign an agreement to abide by the established minimum prices, a penalty not exceeding \$500 being provided for violation of the agreement by the wholesaler.

Efforts are also to be made to have NRA push enforcement of the code. The Lumber Code Authority has at present 67 active cases of alleged violations, of which 35 concern alleged violations of the price provisions, 13 other trade practice charges, and 19 concern labor. Court action has been instituted in 19 price cases and 14 labor cases.



COERCION OPPOSED—The Roosevelt Administration is against compulsory arbitration of labor disputes, Secretary of Labor Perkins told the American Federation of Labor convention at San Francisco. The Secretary is met by her assistant, Edward F. McGrady, as she arrives on the West Coast.

New Labor Law Forecast

Difficulty of interpretation, legal challenges, and outright defiance of 7-a make clarifying legislation by new Congress inevitable.

LEGISLATION by the next Congress to clarify the rights of labor in collective bargaining becomes steadily more certain. The reasons are plain enough: government agencies themselves are hard put to it to explain that their varying interpretations do not really vary; important employer groups believe the majority rule decision in the Houde case to be illegal, and prepare to carry it to the Supreme Court; finally Big Steel challenges the assertion of any authority at all by the National Labor Relations Board. It seems inevitable that Congress will cut through all this confusion with law that will be clear and definite, whatever its other defects.

Mr. Richberg is one of the latest explainers. Nothing that he or General Johnson ever said, he insists, conflicts with the NLRB decision in the Houde case. He interprets the Houde decision to mean that those workers who participate in an election for representatives must abide by the majority decision; any group or groups not participating in said election may choose representatives of their own, under the same rule. It is true enough that the Houde decision refused to say what the size or

shape of a group holding an election should be. But the White House has yet to reinterpret what it meant by its proportional representation plan in the automobile industry.

U. S. Steel's flat defiance of the whole new industrial relations machinery of the government arises over the question of holding a government-supervised election in the plants of the Carnegie Steel Co. Appearing before a hearing in Pittsburgh R. E. Desverine, company attorney, said, "We want it understood we are not submitting to any jurisdiction by this board," and made it clear that as far as the company was concerned, it was present only out of courtesy, not regarding proceedings as a legal hearing, but as a wholly informal proceeding.

Objections of the Unions

The hearing was on charges that the company's employee representation plan was one of those pernicious "company unions" and was causing "a great spirit of unrest among all employees." These are union organizers' charges, of course.

These proceedings brought into action one of the most interesting figures in the steel industry, Arthur H. Young,

whom labor anathematizes as the leading spirit in the company union movement, thus the arch prophet of its greatest menace. Unions assert Mr. Young's activity began with the dawn of NRA; the truth is he has been active in employee representation plans for a long time. He testified frankly at Pittsburgh that he is the father of the representation plan now in effect in 165 mills of the U. S. Steel Corp. and subsidiaries. He is proud of it, holds his plan is good, and moreover a "completely legal vehicle for collective bargaining."

Unsolicited Testimonial

He testified further that William Green, Senator Robert F. Wagner, and Father Francis J. Haas, probably the most convincing triumvirate of labor protagonists in Washington at the time, approved his employee representation plan as "the fairest ever brought before the (old National Labor) Board."

The unionists asserted that the plan did not provide the right of contract between the men and the company and thus was not an effective tool for collective bargaining.

Mr. Young was born and bred in steel. His father, a mill worker, was killed in a steel plant, and Arthur Young was taken into the plants of the Illinois Steel Co. From early manhood, remembering his father's death, he has been a leader in the safety movement, has held and still holds high office in safety organizations. These interests led him into general employment problems and he has written and worked on employment stabilization and relationships. He has been with the Department of Labor and with the Rockefeller groups.

He is the chief personnel officer and strategist of U. S. Steel in its labor relations and since February has been a vice-president. He has been the general staff and campaign planner of the preparations of the steel industry to fight forced unionization. His weapons are admittedly logical and pleasing, in their details, even to union leaders.

Propless Tire Prices

Floor prices on tires hold up without NRA shoring.

ALTHOUGH Oct. 1 saw the end of NRA-fixed "floor" prices in the retail tire field, the bottom level has held so far without the legal prop. In some quarters the belief is gaining headway that a majority of tire retailers like the floor-price idea, and are particularly in favor of the 5-division principle, propounded in the NRA order that became effective Aug. 27 (BW—Sept'34).

Manufacturers and dealers alike are watching members of Division III, the mail-order houses and medium-sized tire



Acme

GUNNING FOR 7-A—The government's quest in the federal court at Wilmington for an injunction restraining Weirton Steel Co. from hindering employees' moves to organize for collective bargaining under NRA is contested on the grounds that section 7-a is unconstitutional. Behind the three Weirton lawyers stands E. T. Weir, chairman of National Steel Co., which controls Weirton.

manufacturers, from which often comes the spark that sets off another price war. They are glad that these suppliers are sitting tight, evidently because they are getting business in fair volume, also because, in the truck tire field, where buying occurs more steadily throughout the year, the divisional setup gave them a 5% price advantage that they have fully capitalized.

With passenger car replacement business entering its seasonal slump north of the Mason and Dixon line, truck and bus business is getting preferred attention from manufacturers and dealers in all divisions.

Smaller operators, knowing that the last NRA order expired Oct. 1, have held off buying needed replacements in the hope that without the NRA "floor," the bottom would once more drop out. They have been disappointed so far.

Larger operators with big-sized requirements, who are accustomed to have most of the important manufacturers fight for their business, are finding little opportunity for doing competitive chiseling.

Flat-Engined Trucks

White announces trucks featuring the 12-cylinder horizontal opposed engine principles it developed for buses.

WHEN the White Co. came out with its "pancake" engine for buses 2 years ago (*BW—Nov 16 '32*) automotive men expected that this old truck company would soon apply the principle to heavy hauling. This week, White announces 2 new trucks, powered with the flat engine, which promise "a new standard of low-cost operation in modern truck transportation."

Most important feature of the new trucks is the 12-cylinder horizontally opposed engine, which is a modified version of the White "pancake" bus engine. It is mounted under the driver's cab, over the front axle, yet the cab is said to be as cool, as free from vibration as in the case of out-in-front engines, and the floor just as level and unobstructed.

Easy Access

Although out of sight, the White under-seat engine is easily accessible. Minor adjustments, check-up on oil level, valves, spark plugs, distributors, generator, air-compressor, water pump, are easily made by lifting the seat or the hinged floor boards. For major maintenance operations, the engine and its transmission, brake controls, and radiator are mounted on a sub-frame which can be rolled out into the open.

The new trucks, of 24,000- and 30,000-lb. gross weight, have a natural op-

portunity where there are legal limitations on length and axle capacity, but White claims for them other and more important advantages. They have the shortest overall length for their capacity of any trucks on the market. This, with

In Division I, where the "Big 4" (Firestone, Goodrich, Goodyear, and U. S.) find General added to make it hereafter the "Big 5," large buyers have found no sign of any softening of prices or shifting of policies.

Price-cutting has been encountered only among dealers of the type that have no steady trade and do much of their business on a catch-as-catch-can basis. In Chicago some of them began cutting as soon as the lid was off. Several in New York, Philadelphia, and other big cities did the same.

Those who are watching the crude rubber market and the effect of codes on tire costs say that prices will go higher and that manufacturers and mass distributors just don't want a price war at this time.

They say it also augurs well for the future stability of the industry that Firestone Tire & Rubber Co. has finally announced tire prices in conformity with NRA emergency order No. 410-15, and states that it has directed its distributing organization to comply with those prices.

front wheels which line up with the outside dual rear wheels, gives them a very short turning radius, makes them easier to handle.

Economy of operation and maintenance is the biggest sales point. The twelve cylinders afford road speeds up to 55 miles an hour, yet engine speed is only 2,400 r.p.m., and gasoline consumption per horsepower is not more than that of any modern 6 cylinder engine.

Early Principles

Curiously, one of the first engines employed in the young automobile industry was 2 cylinder opposed, as used in the old Maxwell, Buick, and Rex. This type of engine was well balanced, but cylinder wear was high, a difficulty overcome by pressure lubrication only after the manufacturers had turned to the vertical engine. Eventually, the vertical engine opened into the V type. Then White flattened out the V, completing the circle, and attaining the best balance yet.

The same situation holds in the placing of the engine. The first real motor truck, designed as such, is said to have been the Locomobile, which had the engine under the floor and the driver sitting in a cab as high as a pilot house. Then the trend swung to passenger car lines, with the engine out in front. Legal limitations have reversed this trend, to the great delight of Autocar, which had stuck with the under-seat model; General Motors met the new demand with its "camel back" trucks with the engines humped into insulated tunnels in the cab. White's horizontal engine under the cab again completes a circle.



PANCAKE ENGINE—Frank Albrun, chief engineer of White, stands beside the new truck powered with the White 12-cylinder, horizontal opposed engine.

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Business Week

GE WORKSHOP—Aimed at the home market, the new General Electric home workshop occupies a space only 18 in. by 38 in., yet it will saw, sand, turn, drill, perform many other operations for the putterer or professional. It can handle wood up to 1½ in. on the saw, turn brass aluminum or wood up to 30 in. long, drill wood and metal, do scroll work, make mortises and tenons, cut rabbets and grooves, grind and buff. G-E has departed from conventional design to gain compactness and greater strength. At \$99.50, G-E thinks it will make a place for itself in a market which has doubled yearly right through the depression.

Laytex

New brother of Lastex, U.S. Rubber's new insulation bulks less, weighs less.

LAYTEX, a new dielectric ("insulation," outside the electrical industry), is announced by the United States Rubber Co. Actually under test and development for several years, public announcement signals the entry into the commercial phase.

As might be guessed, Laytex is another step in the use of latex, the milk of the rubber tree, pioneered by U. S. Rubber, popularized by Lastex. Through a patented process, all proteins, sugars, water solubles which weaken ordinary insulation are removed. The resultant material has a high insulating value, great flexibility (it stretches 750%) and a tensile strength of 5,000 lb. per sq. in., approaching the tensile strength of non-flexible insulation. Insulation resistance is twice that of the best rubber compound.

The process of making ordinary rubber-insulated wire requires much space and handling, entails the risk of mechanical damage, because before vulcanization the material is soft and hard to handle. Hence, standards for such wire insist on a certain physical dimension sufficiently oversized to take care of irregularities.

With Laytex, manufacture is greatly simplified. The wire is simply run

through a series of baths of the liquid, which coagulates on the conductor, solidifies before there is physical contact with any mechanical support, eliminating the mechanical defects found in ordinary insulation. The wire being pulled vertically from the bath, the laws of physics guarantee perfect centering and uniform wall thickness.

It is this uniformity, together with physical and dielectric strength, which permits thinner walls of equal or superior electrical and physical characteristics. This makes possible great reduction in bulk and weight—as much as 25% in outside diameter and 50% in weight.

The U. S. government (no relation to U. S. Rubber), which need not worry about commercial code provisions, was one of the first to see the possibilities of Laytex insulation. Marine Corps and Forest Service field telephones use it because it permits a man to carry a much greater length of wire on his back. The Navy uses it on battleships.

Commercially, Laytex has found immediate application in portable cords, switchboard wiring, blasting wire, and lamp wire. Eventually, when underwriters' specifications take into account the special qualifications of the new dielectric, there will be many opportunities for Laytex. A lamp cord, for instance, is now about ¼ in. in diameter; with Laytex, the same protection could be had in half the size.

Anti-Freeze

It's time to fill radiators, but still the Treasury delays its promised OK on ethyl-methanol blends.

FIRST frosts are here, and still the ethyl alcohol and wood alcohol makers are waiting for the promised formula from the Treasury which will permit the use of the two fluids in mixture as an anti-freeze solution. The two groups therefore enter the season as active competitors for the motorist's dollar, instead of being partners as they had hoped. Neither is happy; both are sharply critical of Treasury delay. Tempers already were frayed because the Treasury gave the necessary permission in August, and withdrew it the next week (BW—Aug 11, Aug 18 '34).

Open-Price Agreement

NRA gave both industries a little comfort, when wood distillers agreed last week to an open-price plan, and further, to exchange filed prices with the ethyl distillers. Thus inter-commodity competition is officially recognized, in effect appreciating that it makes no difference how loyal one group is to its price schedules if the other group breaks the market. The open-price plan is binding only on anti-freeze sales, but it is hoped it will have a stabilizing effect on the solvent and other chemical markets.

Wood distilleries seem to need all the aid that can be had. Aside from methanol, their other principal by-product of charcoal making is acetate of lime. Warehouses bulge with it, and the price has just been cut from \$2.50 to \$2.25 cwt. Some plants have shut down for lack of market.

The logical recourse is to install equipment to make acetic acid instead of acetate of lime. Acetic acid has the market advantage because of higher purity and availability for direct use without cost or delay for conversion. One distiller has thus improved his plant; another hopes for a government loan. But many wood distilleries are too small to turn in this direction, others are too hard up. Acetate, therefore, must continue its uphill struggle against synthetic acetic acid.

Cause for Cheer

Neither ethyl nor methanol producers should be as unhappy as they were a year ago. Both have had more stable prices and larger demand. During the first 7 months of 1934, production of both was more than double that of 1933, same period. Large stocks on hand will flow rapidly into radiators, apparently at satisfactory prices.

Glycerine remains high in price, and Union Carbide is holding the price of Prestone unchanged. These, with their "fill up once for the season" appeal, are the principal competitors.

Pirates Sunk

Speedy patenting may show way to design protection.

FORSTMANN WOOLEN CO., leading American manufacturer of top-grade woolen fabrics, offers its line for the 1934-35 season, with each design fully covered by a United States design patent.

There is nothing new in design patents. The Patent Office has issued them for years. The news is in the fact that less crowded conditions, speedier procedure now expedite their issuance, so that style-goods manufacturers can get protection while it's worth having.

Design piracy is the profitable pastime of many manufacturers. Someone spends money in research, developing, testing. If the product clicks with the public, pirates get busy, make something that looks like the original but sells at a lower price and a higher profit.

A fabric manufacturer might bring out a cloth for exclusive trade to find an imitation on the basement bargain counter a week or two later. When it isn't shown until the design is actually patented, imitators know they face an immediate injunction.

Other manufacturers are expected to follow Forstmann's example.

More Soda

New plants increase alkali industry's capacity but producers serve notice there'll be no price war.

SOUTHERN ALKALI CORP. has just put its fine new plant at Corpus Christi, Tex., into production. Solvay Process Co. soon will have its fine new plant in operation at Baton Rouge, La. Mathieson Alkali Works will be not much, if any, later in starting up its fine new plant at Lake Charles, La. Three fine new plants is a lot of new capacity—say 300,000 tons of alkalis—in an industry which was already capable of supplying a market which in 1933 was about 2,200,000 tons.

Consumers have been hearing so much about fine new plants that they have formed a pretty definite expectation of probable price wars, and have been pressing hard for concessions. It began to look to producers as if they might have difficulty in moving their output—buyers developing a disinclination to cover future requirements, a strong notion to buy from hand to mouth and await developments.

For this reason, the producers already have issued their 1935 price schedules—quotations unchanged. Issuance of schedules so early in the year is unprecedented. The significance is easy to read, and intended so to be. It is for-

mal notice that prices will hold. Forecast is that plants will refrain from producing more alkalis than they can sell. Just which plants are going to do the refraining may well prove a source of friction, but it isn't likely to break out into open warfare.

The products of the industry are soda ash (1,500,000 tons in 1933) and caustic soda (700,000 tons). Principal consuming industries of the two, combined, are: glass, 557,000 tons; soap, 260,000; petroleum refining, 100,000; textile dyeing and finishing, 71,000; rayon manufacture, 144,000 tons; pulp and paper, 124,000; exports, 85,000.

Largest producers are Solvay Process Co.; Michigan Alkali Co.; Mathieson Alkali Works; Pittsburgh Plate Glass Co.; Diamond Alkali Co.; Westvaco Chlorine Products Inc.; Hooker Electro-Chemical Co. Southern Alkali, which just opened the Corpus Christi plant, is half owned by Pittsburgh Plate Glass.

The raw material is ordinary salt.

Shippers' Turn

Those who pay freight rates prepare to answer the railroads' "case of necessity."

SHIPPERS the country over are preparing to break down the railroads' prima facie case for \$170-million increase in freight rates. To accommodate them, ICC Commissioner Clyde B. Aitchison will go on tour to the Pacific Coast and return to Washington with their testimony in November.

There was nothing novel in the railroads' testimony at the rate hearings. It's a plain case of having to raise revenues to meet rising operating expenses. As compared with the \$170 millions that increased rates may yield, on an annual basis, the higher cost of materials and supplies and the restoration of full wages will add \$290 millions. A \$7-million deficit on Aug. 1 will climb

to \$73 millions by Dec. 31, apart from the present downward trend of traffic.

In general the proposed rate increases fall heaviest on raw materials. Here's how the carriers estimate the increase in the cost of transportation on the principal classes of traffic.

Agricultural products, \$18.7 millions; animals and animal products, \$12.2 millions; mineral products, \$69.9 millions; forest products, \$7.6 millions; manufactured products, \$47.9 millions; less-than-carload traffic, \$15.7 millions.

Killed at Last

New York and then New Jersey chased the N. Y. Mining Exchange; SEC makes the kill.

THE New York Mining Exchange is no more. Chased out of New York, then harried by the state of New Jersey, it was finally killed by the Securities and Exchange Commission. After a series of hearings in which the exchange fought hard for a time, it finally agreed to withdraw its application for registration. Since the SEC announced it would refuse application in any event, withdrawal was rather an empty formality.

The state of New York got a member indicted for wash sales in 1933, and warned the exchange to mend its ways or face further prosecution. The exchange moved to New Jersey. Then that state got busy. Of 53 issuers of stocks traded in on the exchange, 12 said they had not given the exchange permission to trade in them; 9 refused answers, whereupon sale of the issues was enjoined; decrees are pending against 23 which did not answer the state's questionnaire; 10 stocks were satisfactory.

The charge was that the exchange was merely a show window, providing phony quotations that could be shown to suckers to prove to them that stock a salesman was peddling had a definite daily price in an open market.

Gas Attack on TVA

Between TVA's drive to sell electrical appliances and the gas companies' counter-attack, Tennessee Valley consumers are sitting rather pretty.

TVA's drive for household heavy electric appliance business has brought the expected counter-attack from the gas companies. Startled at first by the extent and backing of the assault, the gas men in TVA territory have come back with an offensive and think that they are more than holding their own. Neither side seems in line to make any money out of the low rates and low appliance

prices in effect, unless volume reaches proportions beyond anything previously experienced. Meantime, the consumer gets a lot for his dollar—or his nickel.

Outside of the larger cities, few urban centers have gas service. Across Mississippi, central Alabama and Georgia and a small part of Tennessee natural gas from the Louisiana fields furnishes the supply. The rest of the Tennessee

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Valley and contiguous areas depend on manufactured gas. Considerable sections in the cities, mostly the Negro districts, are not piped. So the population that the gas companies can count on for business is much less than the number of potential domestic users of heavy electric household appliances. But the gas forces have accepted this handicap and are fighting toe-to-toe for business.

Gas Rates Cut

First of all, gas rates have been reduced in all the cities affected by the TVA electric promotion campaign. In some cities it is not yet clear how the companies can make any money at the prices they charge the customer for heat units. Managements say they expect increased sales to put them at least partly back on the profit side. In the interval they see their policies preserving the interests of their security holders.

Methods of meeting the situation vary. Knoxville Gas Co., at the spearhead of the TVA attack, has done a specially effective job. This concern has put on a strong newspaper and sales campaign in which it has stressed its reduced rates for household use and the low prices at which the user may obtain ranges, water heaters, and refrigerators on a rental basis.

For 27¢ a day, nothing down, the consumer may have a 6-cubic-foot refrigerator installed and supplied with gas. At the end of 3 years he owns the

box. The TVA models have 3 cubic feet capacity. With the latest aircooled gas refrigerators the men on that side of the line feel they have cold service to offer that cannot be beaten.

Of course, the gas men also consider that cooking with gas has it all over the electric way of preparing food. But they realize that the well-insulated electric oven gives the opposition a break, probably offsets the acknowledged faster open gas burner for top service. They are looking to their reserves to bring up a more economical oven soon. Until this arrives the Knoxville Gas Co. has successfully put over a campaign selling ranges at 5¢ a day, total cost \$66, lower than any standard-sized TVA electric range excepting the recently approved Westinghouse "Cardinal" selling for \$61.25.

Water Heaters Help

Water heaters give the gas men a strong center on which to base their complete-home service attack, and they are making the most of it. Armed with the modern gas storage water-heating systems for home use, salesmen are carrying the fight to the electric folks. Here again, they are offering terms comparable to those TVA has worked out with the government-financed Electric Home and Farm Authority. For nothing down and \$1.50 a month the Knoxville user, for example, gets a 20-gallon heater, which is his at the end of 44 months. A

big 66-gallon unit comes on the same basis at \$3.25 monthly.

With similar terms and low rates throughout most of the Southeast, sales of appliances and gas have picked up surprisingly in the short time the campaigns have been under way. Gas men have lost their hopeless attitude toward TVA electric-rate and appliance competition and are going after domestic business with real confidence.

Incidentally, their advertising looks smart to those who are used to the rancors of such gas-electric battles as have been staged in Chicago. Knoxville Gas Co. is circularizing "Dear Madam" with the urbane announcement that cheap electricity "will greatly benefit us." With the other accomplishments of TVA, says the company, it will mean more industries, more homes, more spending in Knoxville, more prosperity for everyone. But, of course, "there is no satisfactory substitute for gas."

Silent Chain

New kind of group-retailing capitalizes flexibility.

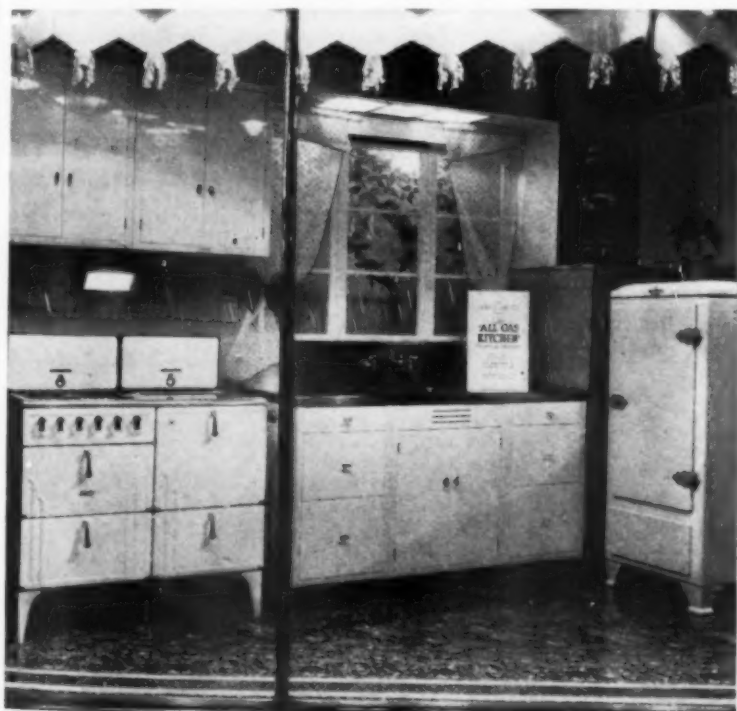
FLEXIBILITY. Anonymity. Freedom from any pre-conceived notions or prejudices. On these principles Concessions Development Corp. is building a chain of unusual food-store units.

Headquarters operations differ little from those of the ordinary food chain. There is the usual drive for lowest possible prices on all products bought in large quantities, general sales planning, the battle for faster turnover, better margins, bigger net profits.

When it comes to individual units flexibility starts. They may be tucked away in the basement or the top floor of some department store or occupy preferred space on the main selling floor of some 5, 10 to 25¢ variety chain unit. One unit may roll up sales in a foreign-language neighborhood while another struts fancy groceries to tempt the Park-Avenue trained palate. One store may do a rushing business in matzoths while its unknown brother unit a few blocks away disdains to carry them.

When the public shops in one of the stores of this chain, it thinks that here is an individual shop, not one of those chain stores. When installed as a department in a large store there are no signs of outside ownership. When operated as individual stores the name over the door may be John Jones, Tom Thompson or what have you. The former may make deliveries and give credit while the latter stays on a cash-and-carry basis.

One who knows the inside workings calls it a "ghost chain." But chain it is, and the plan is working (over 100 units reported) and profits are satisfactory.



Business Week

TVA COMPETITOR—The double threat of cheap TVA electricity and electric appliances started the Knoxville Gas Co. off on a selling drive of its own in the heart of TVA territory. This all-gas kitchen display reminds Knoxville window shoppers that gas is versatile too, shows a gas range and (right) refrigerator.

Nights Full of Music

Broadcasters are selling out the evening hours and telling advertisers about the daylight ones. Meanwhile, that press-radio agreement rankles.

BROADCASTERS are starting the indoor season with the A.R.O. sign handy for the evening performances. It isn't yet a case of "announcing room only" and station employees can still add a song or two at twilight to the news that "This is Station Wec." But the Big 2, National Broadcasting Co. and Columbia Broadcasting System, report that they have sold to advertisers more of those hours between dinner and bedtime than ever before—and add that the schedule would be even tighter but for the impossibility of juxtaposing competing advertisers. Other stations say that business is up. On the radio executive office charts, the gross income lines are starting to climb out of the annual summer valley at a rate that promises to carry them to a new spring peak. (April was top month in 1931, May in 1932, March in 1933 and, so far, in 1934.)

Daylight Selling

In these happy circumstances, the broadcasters are concentrating sales efforts on the daylight hours. There, the profitless "sustaining" programs are monotonously frequent. Surveys are being exhibited to prospects to prove that morning and afternoon broadcasts find more adults at home and more radios turned on than they had ever imagined. There is also statistical support for the smart sales argument that, by sober daylight, those adults are more responsive to straight "educational" programs (on "how to use our product on the menu," for instance). At night the bigger audiences want entertainment and chafe at prolonged selling talk.

Meanwhile, those who worry about broadcasting policies, sustaining programs, and what not are looking sideways at last winter's press-radio treaty. By this, the radio chains promised to confine news broadcasts to two 5-minute periods a day, timed to let the morning and evening newspapers get on the street first. Furthermore, they agreed to turn those minutes over to the tender mercies of the press associations which were to select the news items to be put on the air and to handle the actual broadcasting of them. In return, the newspapers subdued the crackle of editorial static and called off their threatened embargo of radio programs.

Public reactions to this short-rationing of the news over the air have left the broadcasters unhappy and confirmed suspicions that maybe they were outsmarted. One group has gone so far afield with its chagrin as to pick up and rebroadcast news from the British Broadcasting Corporation's "Empire" programs which are sent out daily by short-wave to reach all of King George's far-flung dominions.

The general uneasiness about the situation has increased perceptibly since Clarence C. Dill, retiring senator from Washington and proud father of radio legislation, told members of the National Association of Broadcasters, convened in Cincinnati last month, that they had made a fool's bargain with the newspapers and outlined his ideas of what a radio news organization could do to strengthen public interest in radio—and radio advertising.

The Senator made the familiar suggestion that if the newspapers got tough, radio stations cooperating in such a news service could print their programs in a national weekly of their own like the British Corporation's *Radio Times*. However, he made a more significant reference to a higher card with which the radio engineers maintain that they could finally take the tricks in this newspaper game.

"Facsimile transmission," the transmission of photographs or of written, typewritten, or printed matter by electrical impulses, is just getting into the commercial stage. *Electronics*, bible of the radio engineers, is full of talk—and designs—of facsimile receivers for homes.

While You Sleep

Most recent is a device developed by a young Mr. Young (son of a Mr. Owen D. Young) which simplifies the process of facsimile transmission by substituting ordinary carbon paper for photographic processes. It consists of a cylinder on which a wire is wound to make one turn on the length of the cylinder. Against this cylinder is pressed carbon paper and white paper. The electric impulses cause the paper to be pressed against the revolving cylinder for varying lengths of time, translating the original into dots and lines as in other scanning mechanisms. The big point of this device is its simplicity and its low cost. It is claimed that \$15 or \$20 will plug such a unit into any home radio set.

All this is on the minds of the radio station owners. An important point is that radio sets and radio time-selling don't work between about 1 and 6 a.m. A low-priced facsimile receiver attached to the household set from which the family could draw a complete newspaper with pictures, comics, and ads when it came down to breakfast would recover the lost hours for the broadcasters' profit sheets. The newspapers wouldn't like it.



TROLLEY TRIUMPHS—Designed to cope more efficiently with growing competition, these four new trial street cars, shown in Cleveland, can accelerate 25% to 50% faster and three can decelerate 100% faster than the best trolleys now in general use. Quietness and comfort are other assets, but production costs must be reduced. First on the left was developed by the Electric Railway Presidents' Conference Committee, is a modified conventional body on new type trucks. The next two were built by Pullman and Brill, respectively, for Chicago Surface Lines. On the right is a complete new P.C.C. unit.

Goodyear is today's tire talk



Roadside lunch rooms, crowded shipping platforms, terminal garages—wherever truck men gather—someone will be singing the praises of the Goodyear All-Weather Truck Tire.

It's a smash hit with the men who know trucking. It's the talk of the highways because it goes on mile after mile—trouble-free, winning and holding driver confidence.

And the men who own the trucks

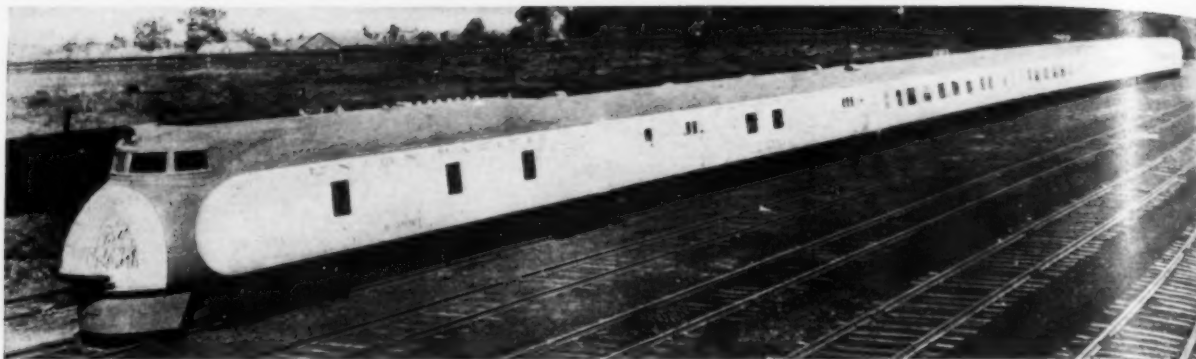
—they, too, know and prefer this tire. They know it is a Money Saver. They know it costs no more than ordinary truck tires.

In this All-Weather Truck Tire are all the exclusive features of quality construction which have caused more tons to be hauled on Goodyear Truck Tires than on any other kind. . . . It is ready to begin saving money on your trucks. The tougher your trucking jobs the greater the savings.



GOOD YEAR
TRUCK TIRES — *Money savers*





UNION PACIFIC SLEEPER-FLYER—Streamlined like the U.P.'s famous 3-car high-speed train, this new 6-car passenger train (Pullman-built) has 3 sleeping cars, also power, baggage-mail, and coach buffet cars. Diesel equipped, 900 h.p., it cruises at 90 m.p.h. (110 top speed). All cars have aluminum alloy bodies, double shatterproof glass, steel wheels and trucks.

Intercoastal Squall

Despairing of stabilizing rates by conference, shipping companies want the government to step in.

THE Shipping Board Bureau of the Department of Commerce retires to Washington after 8 months of intermittent hearings on the intercoastal trade with 5,000 pages of well-salted testimony. It probably will chew longest on the gristly question of rates.

Impolite even in good times, the argument over rate control after years of depression becomes so bitter that the lines are yelling for some police power to prevent threatened mayhem and destruction. They generally admit that the conference method of setting rates has collapsed. The Intercoastal Conference has been abandoned by its members. They doubt whether it can ever be revived.

Fancy Rate-Cutting

Lines outside the conference indulged in frank and earnest rate-chopping; many of those within chiseled in ways that were more subtle but just as destructive. Favored devices included wrong classification that allowed shipment of commodities at less cost than they rated, overpayment of damage claims which were, in effect, rebates to shippers. Non-conference lines set rates so low that the transcontinental railroads observed tonnage originating as far inland as Louisville shipped to Atlantic ports, and carried via the Panama Canal to Pacific Coast cities for less than the direct rail rate from Louisville to the West.

The big conference companies reserve their heartiest glares for the non-conference Shepard Line (of Boston), which entered the trade in 1929. Its rates are alleged to have been regularly 8% to 10% below those of the conference. Wearing of this competition, some conference members announced retaliatory cuts. On authority given by

the Intercoastal Shipping Act of 1933, the Shipping Board suspended these schedules for 4 months which end Dec. 1. After that almost anything can happen. Meantime, the former rates remain in effect.

Confusion is heightened by doubts as to the extent of the board's authority. Last year's act plainly gives it the right to require the filing of all schedules and to set maximum rates. There is a legal question as to whether the board can establish minimum rates—and it is here that the dirty work occurs. It is hoped that the massed information gathered by the board will be the basis of final and definite laws.

The big lines insist that the next Congress must vest the full rate control authority in some government agency, since the companies have proved their inability to keep rates in line. Their officials in general prefer that this should be the ICC rather than the Shipping Board. They say,

Want Rates Integrated

"The intercoastal trade is part of the national transportation system. Cargo rates should be established with relation to railroad rates, which the ICC already supervises. The commission has developed skill in handling railroad schedules and in keeping the question free from politics. The Shipping Board—well, it might allow partisan meddling. And the interior railroads could always mobilize more congressmen than our coastal states."

The intercoastal trade is a rich private preserve open only to American flag ships. A world traffic slump has diverted considerable tonnage into the run. One complaint registered at Shipping Board hearings was that chartered vessels (some operated by foreign out-

fits) were crowding in and beating down rates still further. Among the established companies there is a sharp cleavage between the oldtimers with expensive vessels and newcomers operating with war tonnage bought from the government at give-away prices.

At the top is the lordly Big 4: Panama Mail (Grace), the Panama-Pacific (International Mercantile Marine), American-Hawaiian, Luckenbach. Below them are some 16 companies operating bargain tonnage bought from the government. This category produced most of the cut-rates whose proposed schedules are under suspension. Here is what the executive of a big company thinks of the second group (with the quarterdeck language deleted):

A Difference in Costs

"We are in the business to stay. We try to get rates that will not only pay costs but provide for depreciation and the building of new ships. Some companies were able to start into competition with us on a capital of \$50,000. They took over government vessels for \$250,000 and less. Our ships in the same run cost \$1½ million. Figuring interest cost (at 5%) alone, one of their ships has an annual edge of \$62,000 over one of ours. Their investment is so small that they can afford to pass out of the picture on short notice.

"These low-cost babies gave us plenty of headaches in the Intercoastal Conference. We collected a freight surcharge that went into a pool and was used to equalize earnings. One of the lines with cheap ships would threaten a rate cut. To head this off we would make it a nice, fat payment out of the pool money. Thus the older companies were paying a tax to keep inefficient competitors in the business. That's one reason we don't want any more conferences."

With huge and continuous offerings of tonnage, barred to foreign vessels, the intercoastal trade is something worth fighting for. Our total active privately-owned gross tonnage in June, 1934,

All 4 Endorse POWER PROVER SERVICE

... for gasoline savings up to 30%, increased power and lowered maintenance costs. Read what they say. What the POWER PROVER did for them, it will also do for you.



SAYS EXECUTIVE: "By reducing my fleet's gasoline and oil consumption, the Power Prover cuts down trucking costs. That shows up on the profit sheet. I also notice savings in repairs and lower maintenance costs!"



SAYS SUPERINTENDENT: "Power Prover Service helps keep our trucks on the road more... they're not in the shop so much for overhauls. There are fewer repair jobs... less spoilage from goods destroyed by exhaust gas. You can't beat the Power Prover for assuring low cost per mile!"



SAYS DRIVER: "I'm getting more power on tough hills and on the straightaway. My engine idles better, never stalls. I don't have to stop so often for gas. It's a lot easier driving since the boss took on Power Prover Service. And—no more headaches from carbon monoxide!"



SAYS PRIVATE CAR OWNER: "I thought my engine was fine. I was wrong. The Power Prover showed it was only 60% efficient. Now, my gas and oil costs are way down, my car's pep and power way up. I'm going to have my car Power Proved every three months—to be sure I keep that smooth, powerful performance!"

What these men say is the story told by 5000 fleet owners and many thousands of private car drivers. It was proved conclusively to them that poorly adjusted motors waste gasoline... waste power... are more costly to operate.

Cities Service Power Prover Motor Test-

ing and Adjusting Service includes three distinct steps... (1) an analysis of exhaust gases; (2) a comprehensive 23-step testing and adjusting routine; (3) use of exclusive, patented Cities Service Tuning Tools and Precision Instruments.

These services cut down gasoline and oil

costs as much as 30%—cut down maintenance costs—cut down overhaul and repair jobs—and *add* powerful performance—add truck-working hours—add profits.

Learn how Power Prover Service can, at trifling cost, help you cut expenses just as it has for others. Mail convenient coupon today.

RADIO CONCERTS: Every Friday, 8:00 p. m. E.S.T., WEAF and 33 Associated NBC Stations.

NOW... in refinery-sealed cans



Two great oils... CITIES SERVICE MOTOR OIL and KOOLMOTOR OIL. One and five quart sizes. Your guarantee of oil as fresh, clean and pure as the day it left the refinery. Also full measure of the correct grade. Ask for these great oils in cans.

SEND FOR THIS FREE POWER PROVER INFORMATION

CITIES SERVICE POWER PROVER
Room 722, 60 Wall Street, New York City

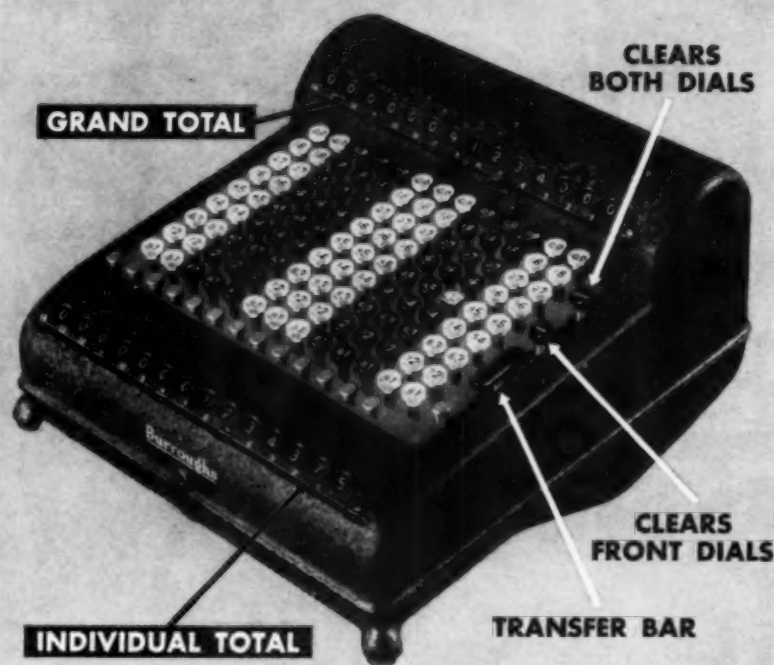
Gentlemen: Without obligation on my part please tell me how, at trifling cost, I may cut my gasoline bills as much as 30% and lower maintenance costs.

Name

Address

Burroughs

DUPLEX CALCULATOR



COMPLETE ELECTRIC OPERATION

- TWO SETS OF DIALS** Individual totals are obtained in front dials, then transferred electrically to rear dials for accumulation into a grand total. The two sets of dials are well separated to avoid confusion.
- ELECTRIC TRANSFER** Touching the transfer bar enters the amount of the individual total in rear dials electrically, and clears the front dials.
- ELECTRIC CLEARANCE** A single touch of a key clears the front dials without transferring; another key clears both dials simultaneously. Both operations are electric. No cranks to turn; no levers to pull.
- FASTER SUBTRACTION** Entirely new feature provides the simplest method of subtraction on any key-actuated calculating machine.
- FRACTIONAL CENT** The machine gives, or takes, the half-cent as desired; or accumulates fractional amounts in the normal way.
- OTHER ADVANTAGES** Complete one-hand control; uniform, light touch for all keys; fast, positive action; accuracy electrically enforced; motor does the work.

The Duplex is furnished in 9 and 13 column sizes. Write for illustrated folder.

BURROUGHS ADDING MACHINE COMPANY
DETROIT, MICHIGAN

was 7½ millions. Of this over 1 million was intercoastal. Tankers number 53, with a tonnage of 400,000. These last engage mostly in the transport of petroleum for owning companies and are outside the struggle for general freights.

Boats have hurt the railroads most in the westward movement of manufactured goods. Eastbound ships are better filled with canned goods, lumber, flour, fruits, copper, etc. To prevent loss on the return westward, some ships take freight at almost ballast rates.

Both Sides Lost

There are indications that the railroads have been hurt less by ship competition than their outcries would lead one to believe. An independent survey showed that between 1927 and 1932 tonnage carried by the intercoastal line fell off by almost the exact percentage of the decline in rail traffic—in other words, the ships did not gain at the expense of rails. Some realists contend that, instead of being diverted from the roads, many of the cargoes represent low-value commodities that could not have moved at all without cheap water rates. They also assert that the future of water shipments depends not on what can be snatched from railways but on the development of new business, such as fresh fruits and vegetables under refrigeration. The Grace Line has experimented in this direction and is not altogether happy with the result.

Strikes Out

Seamen and longshoremen make peace on promise of recognition and mediation.

MEN who go down to the sea with union cards in their dungarees are displaying a will to peace that might be followed with profit by some of their landlubberly brethren. Recently 2 major struggles in the salt water trades have been averted. The International Longshoremen Association (A. F. of L. affiliate), generally recognized in its field, threatened a strike for higher pay and shorter hours in Atlantic and Gulf ports. Some 40,000 men were involved. Both sides agreed to wait for action by the President's board in the strike of a kindred union on the Pacific Coast.

In this, as in the threatened strike by the International Seamen's Union, all lines operating from the Atlantic and Gulf ports were affected. The sailors' organization claimed to influence another 40,000 men. It, too, is an A. F. of L. affiliate. Here the main question was union recognition, with pay and hours secondary. The strike was called off with an announcement by the National Labor Relations Board that a preponderance of the lines had agreed to negotiate with the International.

"...and that's why we talk football"



*... In the October issue of **Woman's Home Companion**—a football article by Glenn S. ("Pop") Warner. WHY? Because a third of the **Companion** readers ... who answered a recent questionnaire ... are football fans.*

They "Stand Up and Cheer" at the ping of the pigskin. Yet football is only one of the interests of the modern woman.

To win respect and enthusiasm her magazine must be much more than a technical journal of home management. That is why she has given **Woman's Home Companion** the largest circulation in its field.

She likes its terse presentation of household news—its professional authority on homemaking—its personalized response to service requests; she likes even more its constructive attitude toward her development as an individual.

The **Companion's** alignment with the expanding interests of its readers touches the maker of every woman-bought product and service. The more active the woman, the keener her shopping appetite. Her new wants mean new wealth, for advertisers.

A woman can do more than manage a home—provided she does that well

WOMAN'S HOME
Companion

THE CROWELL PUBLISHING COMPANY • NEW YORK

COLLIER'S • WOMAN'S HOME COMPANION • THE AMERICAN MAGAZINE • THE COUNTRY HOME

DICTATING MACHINES HAVE CHANGED!

See Edison's Revolutionary New PRO-TECHNIC EDIPHONE



12 PROVED ADVANTAGES . . . A GUARANTEE of 20% to 50% INCREASED BUSINESS CAPACITY

EDISON has produced a thoroughly new, fully enclosed instrument, the PRO-TECHNIC EDIPHONE. Its "Balanced" Voice Writing makes dictation easier and faster. It guarantees full-time secretarial service, without old-fashioned "dictation periods". The Pro-technic Ediphone provides a Voice Writing service that allows dictators to dictate at any time without waiting—easier than telephoning. Dictators have more time for planning, for outside calls. Secretaries become more valuable.

Free demonstration at your desk!

To prove that dictating machines have changed, every responsible executive is invited to "sample" Ediphone Voice Writing — without obligation.

Without Cost to You— Edison Will Train Your Office

Telephone The Ediphone, Your City, or mail the coupon to Thomas A. Edison, Inc., Orange, N. J. and an Ediphone representative will explain each of the 12 Pro-technic advantages to you. He will introduce this NEW Voice Writing in your office, taking full responsibility for smooth and efficient service until Voice Writing becomes as much a part of your office routine as telephoning.

YOU BUY NOTHING until Edison proves it can increase your dictators' business capacity and your secretaries' capacity to assist.

FOR FREE-PROOF OF EVERY EDISON CLAIM MAIL COUPON!

Thomas A. Edison
INCORPORATED
ORANGE, N. J. U. S. A.



I want to know if Edison will guarantee to increase our business capacity 20% to 50%.

FIRM NAME _____
MY NAME _____ TITLE _____
ADDRESS _____

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

ONE of the models in the new Packard line seats 9 passengers; 3 on the back seat, 3 on the folding seats—made full width and closely joined—and 3 on the front seat. For small bus loads rather than large families.



KOENIG COAL now offers its cannel coal and stoker nut in corrugated fibre boxes holding 50 lb. Hinde & Dauch designed the container.

LIKEWISE, Blue Coal is packaging its product in 18, 25, and 50 lb. paper bags which are single thickness for the dry pack, quadruple thickness for the wet (dustproof) pack.

WARREN Telechron has commandeered a whole new market for clocks—in the children's rooms. First electric models are duck-shaped, called Smug and Quacker. Quacker has the alarm.



BAKER-RAULANG's new 3-ton industrial lift truck has been "streamlined," not for speed, but to simplify design, increase accessibility, decrease operating hazards due to projections.

GENERAL ELECTRIC's most recent addition to its home merchandise line is a home workshop, compact enough for cellar putters, sturdy enough for professional use. (See picture, this issue.)

U. S. RUBBER announces Laytex, a new kind of insulation with greater physical and electrical strength, less bulk and weight. (See item, this issue.)

HERCULES POWDER CO. will make its Tornosit, a protective rubber coating in New Jersey, replacing importation from Germany, expanding its possibilities over here.

THE WOMAN ANGLE



★ THREE OUT OF EVERY FIVE lines of advertising placed by the upstairs women's clothing departments of Chicago Loop department stores in the first eight months of this year were carried by the Chicago Tribune.



★ MORE WOMEN read the Tribune. Which is why, during the first eight months of 1934, Chicago women's clothing stores placed 132% more advertising in the Tribune than in any other Chicago newspaper.



★ BECAUSE IT PAYS OUT BETTER, the upstairs toilet goods and drug departments of Loop department stores during the first eight months of this year placed more advertising in the Tribune than in all other Chicago newspapers combined.



Because they have found in the Chicago Tribune a newspaper which covers the full range of their interests in news and in features, more women in Chicago and suburbs read the Tribune than read any other Chicago newspaper. Influencing more women—and more women with money to spend—the Tribune produces better results for advertisers. Consequently the Tribune carries more advertising addressed to women—and more total advertising — than any other Chicago newspaper. Ask a Tribune representative to give you the complete facts.

CHICAGO TRIBUNE
THE WORLD'S GREATEST NEWSPAPER



"Jones questions our quality?"

HE DOES. Like so many other shrewd buyers "Jones" is closely checking the quality of the goods you sell him. Is it uniform? Does it meet today's more exacting specifications?

Uniformity in product quality is the new keynote in successful selling

This has never been so convincingly demonstrated as in the growing number of plants in which Bristol's Automatic Process Control regulates and coordinates the factors that enter into processing. Here quality is unflinchingly maintained within the closest tolerances of the prescribed standards. Rejects, seconds and re-runs are drastically reduced and often abolished.

Not only does Bristol's Automatic Process Control hold production costs within profit making limits. Think also what uniform quality means in the way of winning and holding consumer acceptance!

Upon request, our Process Control Consultation Staff will gladly discuss the matter further in terms of your own requirements.

THE BRISTOL COMPANY

Pioneers In Process Control Since 1889
WATERBURY CONNECTICUT
Branch Offices in Principal Cities. • Canada: The Bristol Company of Canada, Ltd., Toronto, Ontario • England: Bristol's Instrument Co., Limited, London, S. E. 14

BRISTOL'S



PROFIT-PROMOTING
PROCESS CONTROL

Business Speaks for Itself

I. What business opinions and figures have to say about the effect of NRA on business cooperation.

WHAT does organized American business itself think about its codes today?

Business Week decided to find out. It asked 300 selected industries to reply to 30-odd searching questions. Over half of them supplied usable information and approximately 100 provided data sufficiently complete and comprehensive for tabulation.

In a series of articles *Business Week* will present the results of this first national poll of organized business on all the important phases of the National Industrial Recovery Act. This, the first of the series, discusses briefly how far business men think the Act has served to promote its fundamental purpose—cooperation in business.

Association Growth

The reported growth in numerical strength of the army of cooperatives is impressive. The 61 reporting business organizations that existed prior to NRA and since have assumed code-burdens had only 24,404 members in 1932, averaged 401 per organization. Under the impetus of the codes some increased their membership slightly, others gained practically complete coverage of their industry. In 27 industries where cooperative effort had been unheard of or dormant, code-administering organizations were formed. The 88 industries reporting their membership in July, 1934, had 102,859 members, averaged 1,169 members each.

Changes in the activities of organizations are significant.

Recently-formed ones are operating 100% under the provisions of their codes, while some of the older groups have abandoned many previous pet activities. One important industry with a pre-NRA advertising and promotional budget of \$1 million annually now is just cod-ing along on a paltry \$58,000. Several groups, previously engaged mostly in lobbying and tariff doctoring, are now busy as code authorities promoting standardization of products, cost-finding, sales, personnel and educational activities. Numerous industries have organized for code compliance but, with an eye to the unknown future, are also continuing "legislative" activities previously on the schedule.

More Jobs—Bigger Profits

More members, broader duties, code administration and enforcement have meant enlarged staffs and bigger budgets. The average number of paid employees at organization headquarters jumped from 5 in 1932 to 12 in July, 1934. Annual budgets for the group averaged \$34,930 in 1932 and \$69,576

in 1934, showing spectacular increases in many instances. An office appliance industry, with annual sales volume of only \$12 millions to \$18 millions, quadrupled its budget. A foundry group has done likewise.

Industrial self-government is costing the most per member in organizations where control and cooperative technique have reached the highest degree of perfection, is cheapest where only the surface of cooperative activities is scratched.

One highly organized manufacturing industry with only 100 members is spending \$115,000 annually, over \$1,000 per member; another with 650 members spends \$615 each, while numerous groups average only \$25 per member.

Viewed from the standpoint of proximity to the shadows of the anti-trust laws, the annual expenditure per member is highest where, in the event of abandonment of NRA, the ax might threaten soonest.

(Succeeding articles of this series will show how organized industries representing \$20-odd billions of annual business voted on price and production controls, trade practices and other important NRA problems and effects.)

The New NRA

Herewith a detailed blueprint of the NRA organization and thumbnail sketches of the directing personnel in Washington.

Two administrative agencies now have control over the destinies of the government-industry "partnership" launched June 16, 1933, when the President signed the National Industrial Recovery Act.

The "National Industrial Recovery Board" wields all the power in administration and in policy formerly held by General Hugh S. Johnson. Behind it, however, is the Industrial Emergency Committee, which has the duty of coordinating the handling of joint problems among all the emergency agencies. Also it controls the "general policies" of the NRA as these affect the drafting, which the IEC also has in hand, of the legislation for the so-called "permanent" form of NRA to be submitted to Congress at the session opening on Jan. 3, 1935. NIRA provided for the expiration of all its functions within 2 years, that is, on June 16, 1935.

The duties and the personnel of these two boards:

Industrial Emergency Committee—

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established by Executive Order 6770, June 30, 1934, to make recommendations to the President regarding relief, public works, labor disputes and industrial recovery and "to coordinate the handling of joint problems affecting these agencies." Donald R. Richberg was appointed director with his pay of \$15,000 as counsel of NRA until Oct. 1 under Executive Order 6836 of Aug. 31. This has now been extended indefinitely. The "allied problems of agricultural recovery" were added by Executive Order 6860, Sept. 27, 1934, and by this same order the IEC is to "determine, with the approval of the President, the general policies of the administration of the NIRA." The personnel of the IEC is now as follows:

Richberg—In the Middle

Donald R. Richberg, director, former attorney for railway brotherhoods, general counsel of NRA on leave. Extremely liberal background, now accepted as one of the most definite middle-of-the-roads in government. He has stated his firm belief in government-industry cooperation. Is still, however, the enigma of industrial relations under the New Deal.

Secretary of the Interior Harold I. Ickes, also administrator of PWA, Chicago liberal lawyer, held to be the most "radical" member of the cabinet.

Secretary of Labor Frances Perkins, social worker and labor advocate, former labor secretary of New York State. She has only limited faith in business men; is held to be far over to the left.

S. Clay Williams, chairman of NIRB, lawyer, former chairman of R. J. Reynolds Tobacco Co., chairman of Business Advisory and Planning Council of Department of Commerce, recognized as the representative and spokesman of industry.

Chester C. Davis, Administrator of AAA, liberal, criticizes many business agencies, but is recognized as fair and judicial.

Harry L. Hopkins, Federal Emergency Relief Administrator, definitely liberal. He believes business recovery necessary for relief. Should be middle-of-the-road.

Recovery Board's Job

National Industrial Recovery Board—created and named by Executive Order No. 6859, Sept. 27, 1934, under Title I of NIRA, authorizing the President to set up agencies for administering the act. It is "authorized, subject to the general approval of the Industrial Emergency Committee, to promulgate administrative policies, to appoint, employ, discharge, fix the compensation, define the duties, and direct the conduct of the personnel necessary for its administration and to exercise all those powers heretofore conferred by Executive Orders upon the Administrator for Industrial Recovery." It took charge on the date of its appointment, although General

A TOWER OF STRENGTH



BANKERS TRUST COMPANY

16 WALL STREET, NEW YORK

Fifth Avenue at 42nd Street • 57th Street at Madison Avenue

London Office: 26 Old Broad Street

Draining the Lifeblood of a Great Industry

PROMINENTLY DISPLAYED on a wall in the ELECTRICAL BUILDING at the CENTURY OF PROGRESS in Chicago is the following statement:



EDISON and other men of genius made electric service possible. Men of vision and enterprise developed the electrical supply industry until it serves us at lower cost than slaves could do the work.

CONFISCATORY regulation, excessive taxation, and unfair competition, which threaten the unrestricted use of this service, would be disastrous to the investments of the multitude whose hard-earned substance is the lifeblood of the industry.

SUCH threats to the savings of utility investors demonstrate the wisdom of the Associated Gas and Electric Company's Plan of Rearrangement of Debt Capitalization for the protection of the interests of Associated security holders.

ASSOCIATED GAS & ELECTRIC SYSTEM

61 Broadway, New York



Guaranty Trust Company of New York

MAIN OFFICE
140 Broadway

FIFTH AVE. OFFICE
Fifth Ave. at 44th St.

MADISON AVE. OFFICE
Madison Ave. at 60th St.

LONDON

PARIS

BRUSSELS

LIVERPOOL

HAVRE

ANTWERP

Condensed Statement, September 30, 1934

RESOURCES

Cash on Hand, in Federal Reserve Bank, and due from Banks and Bankers	\$ 222,427,916.51
Bullion in Foreign Branches	686,293.00
U. S. Government Securities	470,180,329.51
Notes of Reconstruction Finance Corporation	20,000,000.00
Public Securities.	73,034,836.97
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities	21,554,260.64
Loans and Bills Purchased	611,462,636.10
Credits Granted on Acceptances	36,207,929.09
Bank Buildings	13,883,422.39
Other Real Estate	97,835.74
Real Estate Bonds and Mortgages	2,610,283.32
Accrued Interest and Accounts Receivable	17,428,004.25
	\$1,497,373,747.52

LIABILITIES

Capital	\$ 90,000,000.00	
Surplus Fund	170,000,000.00	
Undivided Profits	7,167,463.99	\$ 267,167,463.99
Dividend Payable October 1, 1934	4,500,000.00	
Accrued Interest, Miscellaneous Accounts Payable, Reserve for Taxes, etc.	7,891,491.44	
Items in Transit with Foreign Branches	242,536.49	
Acceptances	\$89,978,330.35	
Less: Own Acceptances Held for Investment	53,770,401.26	36,207,929.09
Liability as Endorser on Acceptances and Foreign Bills.	269,145.00	
Deposits	\$1,166,177,094.42	
Outstanding Checks	14,918,087.09	
		1,181,095,181.51
		\$1,497,373,747.52

WILLIAM C. POTTER, Chairman
EUGENE W. STETSON, Vice-President

W. PALEN CONWAY, President

DIRECTORS

GEORGE G. ALLEN . . . Vice-Chairman, British-American Tobacco Company, Limited, and President, Duke Power Company
W. W. ATTERBURY . . . President, Pennsylvania Railroad Company
W. PALEN CONWAY . . . President
CHARLES P. COOPER . . . Vice-President, American Telephone & Telegraph Company
JOHN W. DAVIS . . . of Davis Polk Wardwell Gardiner & Reed
HENRY W. de FOREST
ARTHUR C. DORRANCE . . President, Campbell Soup Company
EDWARD D. DUFFIELD . . . President, The Prudential Insurance Company of America
CHARLES E. DUNLAP . . . President, Berwind-White Coal Mining Company
LEWIS GAWTRY . . . President, The Bank for Savings in the City of New York
ROBERT W. GOELET . . . Real Estate

PHILIP G. GOSSLER President, Columbia Gas & Electric Corporation
EUGENE G. GRACE President, Bethlehem Steel Corporation
W. A. HARRIMAN of Brown Brothers Harriman & Co.
JOHN A. HARTFORD . . . President, The Great Atlantic & Pacific Tea Company
DAVID F. HOUSTON . . . President, The Mutual Life Insurance Company of New York
CORNELIUS F. KELLEY . . . President, Anaconda Copper Mining Co.
THOMAS W. LAMONT . . . of J. P. Morgan & Co.
WILLIAM C. POTTER . . . Chairman of the Board
GEORGE E. ROOSEVELT . . of Roosevelt & Son
EUGENE W. STETSON . . . Vice-President
CORNELIUS VANDERBILT WHITNEY . Banker
GEORGE WHITNEY . . . of J. P. Morgan & Co.
THOMAS WILLIAMS . . . of I. T. Williams & Sons

Johnson continues on the payroll until Oct. 15.

The NIRB was set with 5 members, later increased to 7 by addition, ex-officio, of the chief of the Division of Research and Planning and the acting General Counsel of NRA. The personnel:

S. Clay Williams, elected chairman, named as the representative of industry. Arthur D. Whiteside, president of Dun & Bradstreet, one of the first deputies of NRA, and division administrator, resigned last spring. He framed many of the distribution codes, has been a firm advocate of sane pricing policies. Generally a conservative, a representative of business as distinguished from industry.

Labor Representative

Sidney Hillman, founder of one of the largest labor unions, member of Labor Advisory Board of NRA, member of old National Labor Board, active in labor side of code-making since earliest days of NRA. Is regarded as friendly to industries which cooperate with labor organizations. His union, long "outlaw," at last has affiliated with A. F. of L., and Hillman was a powerful figure in the San Francisco convention this year.

Leon C. Marshall, the other "labor" member of the NIRB, a member of the old National Labor Board, came to NRA from Brookings Institution, technically holds a fellowship in law at Johns Hopkins. Authority on labor relations. Was on the advisory council of the Department of Labor during the war. While pro-labor has had no direct relations with the A. F. of L. and is somewhat under suspicion there as being deeply interested in the company union movement. Recently assistant administrator for policy in NRA.

Dr. Wharton Hamilton, the "neutral" member in any rough classification, has been chairman of the Advisory Council of NRA, and there won respect for judicial and unprejudiced handling of issues. Former professor of law at Yale, before that professor of economics at Brookings. Authority on labor problems of the coal industry.

Henderson—Planner

Leon Henderson, head of research and planning of NRA, was promoted rapidly, reaching his present post about 6 months ago. The author, directly or indirectly, of many basic reports which have already influenced NRA policies and promise to be highly important in the new setup. Formerly with the Russell Sage Foundation, as specialist on tax matters.

Blackwell Smith was an assistant to Donald Richberg, is now acting general counsel of the NRA. He is one of the younger men in the group, admittedly "liberal," but has not been unsatisfactory to business in his work as legal advisor in code hearings and administration.

The Cities Lift their Heads

New tax lodes, help from Washington, stays from creditors, and a sprinkling of economy put local governments back into the financing race.

LOCAL governments are coming out of the red financially. New York and Chicago, both of which have been perilously near collapse at times during the last few years, are definitely out of the woods. A refunding program now operating for the State of Arkansas and another pending for Detroit will remove the two major cases of actual defaults in city and state obligations. Such are the distinct mile posts which show the progress of recent months.

More Taxes Than Savings

It would be pleasant but untrue to add that our political subdivisions heroically took up their belts, starved, and paid off their creditors. They scrambled for new revenues, and found them beyond anticipation in sales, income, gasoline, cigarette, automobile taxes. Collections improved from real estate, still the backlog of local government revenues. The federal government helped them, banks and investors extended time on their obligations.

Economies came last and hardest, and probably accounted for the least real assistance. Under pressure of bankers, government agencies, representatives of bondholders, budgets were balanced. It was more often at the expense of police, firemen, teachers, at the sacrifice of street maintenance, charity services, than out of the ward heelers' pockets. True, extravagant public work projects were foregone or thrown onto the federal government.

And there were some actual reforms, particularly among smaller cities, some of which accomplished spectacular recoveries. Cincinnati, for instance, one of the poorest names on the municipal roster 10 years ago, is now a model, and the more striking in contrast with cities generally in Ohio, where a current political issue is a 2-year moratorium on school debts.

These Can Boast

Other bright spots in municipal finance are: Kansas City, without unpaid current bills or accrued payrolls for employees who haven't been docked for hours or pay; Oklahoma City, with debt cut to \$16.5 millions and still being whittled down to the tune of \$1 million a year; Austin, Texas, on a cash basis throughout depression; San Antonio, with cash surpluses in its sinking funds; Houston, clear of bank debt after paying off \$1.4 millions within last year; and there are others.

Arkansas as the only state and Detroit as the biggest city, were the headliners

among the actual defaulters. The Arkansas refunding now approaching completion will put \$150 millions of bonds back in good standing. Detroit's refunding, involving 300 issues totaling \$278 millions, is the most ambitious program of the kind ever undertaken. It will not be effective until Nov. 15, but holders of 95 1/2% of its obligations have assented and its bonds have doubled in price, indicating assured success.

In combination these two cut a big hole in the amount of defaults, which has already been materially reduced from the peak. The high point was reached several months back when 35 of the 300-odd so-called "major cities" were in default on some part of service on their \$3 billions debt. This total represented 38% of the total funded obligations of the "major" cities, but 7 cured their delinquencies ahead of Detroit and 4 others are making corrections.

Curing Sore Spots

Some 2,000 additional minor political units and as many more special assessment districts are in default for small individual amounts. These are widespread. No locality can boast complete exemption, but sore spots tend to centralize. Some are of long standing, such as the West Coast drainage and irrigation districts. Florida, in trouble since the boom collapsed 8 years ago, has definitely improved in the last 2 years.

There is a concentration of trouble in New Jersey where cities ran wild in anticipating taxes, found floating debt overwhelming them when tax collections failed. Some 84 local governments there are in default on \$25 millions. Under new state legislation Jersey cities can fund floating debt by arranging to go on a cash basis hereafter. Newark has shown the way by doing just that, but so far holds the distinction alone.

New York City regained solvency last winter by similar tactics, but due to the bankers' edict, not legislation. Bankers agreed to go along with the city on \$200 millions of current debt if it attained a cash basis. The new administration has done that and its present pinch is to accommodate its \$50-million relief burden for the coming winter and provide \$24 millions reserve against uncollected taxes as provided in the agreement, which also precluded increases in real estate taxes. That accounts for the scramble for new revenues, even consideration of a "lottery," and the new attempts to put tax exempt property on the books.

Chicago's problem, like New York's,



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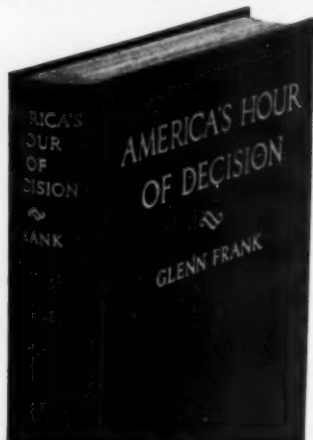
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was floating debt, not funded. Both cities are relatively lightly bonded. Its situation was complicated when, back in 1927, difficulty in a Cook County reassessment caused 2 years to pass without tax collections. Paying boomtime tax bills during depression years was too much "paying the piper." Tax strikes, conscientious objections, and trouble-provoking tactics of real estate boards paralyzed collections for a long time while city, the county and its several hundred subdivisions lived on such current credit as they could get.

Chicago Comes Through

Chicago came through without default, but Cook County and the Chicago Sanitary District, the big bonding district that was in the midst of constructing a sewage disposal system for the county, could not do so well.

By practically abandoning capital layouts, letting employees wait months for their pay, borrowing to the constitutional limit in anticipation of taxes, they have somehow maintained minimum civic services, although to date little more than 50% of the 1932 tax levy has been collected in Cook County.

The city is current as to payrolls (with Washington's help on behalf of the teachers). The county and Sanitary District are paying off past due bonds and interest on instalments from current taxes, and the whole group of municipalities can see daylight ahead.

This performance of local governments has more firmly entrenched municipal credit in the good graces of the investor. Their bonds have been outstanding points of strength in the securities markets, barely eclipsed by federal government obligations. Rates of 1½% for short-term, 2% for medium-term, 3%-4% for long-term, are not uncommon among strong municipalities and states. New York City 4½s which sold in the 70s during the city's crisis last winter passed par at their peak last summer. Chicago just refunded \$10 millions city and \$5.5 millions board of education obligations with 20-year 4½s and 4½s respectively. A year ago refunding cost it 6%.

Emigrant Business

Berlin dictates terms for Jewish factories fleeing to Britain.

WHEN England 2 years ago succumbed to tariffs on a large scale, railroads and cities hastened to advertise industrial sites for foreign branch plants. The idea was to attract foreign industries which could no longer cater to markets within the Empire (but particularly in Britain itself) without hurdling new duty walls. The campaign was successful, particularly in the London area.

When a checkup of the new plants

which has recently in the London area with the producing garment manuf...

Several companies. The tariff is one thing that they of Germany in most cases where it is least, but other regions important export sales are many in Britain.

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which have come to England was made recently, 18 German factories appeared in the list. Half of them were located around Manchester and the other 9 near London. All of them were associated with the textile industry, most of them producing special styles of women's garments which until now had been manufactured only in Germany.

Why They Emigrated

Several reasons are admitted by the companies for the transfer to England. The tariff advantage in Empire markets is one thing, but most of the firms admit that they are trying to escape the boycott of German goods. This has dwindled in most Continental markets to the point where it is insignificant, in their line at least, but in South Africa, and some other regions in the Empire it is still an important factor in reducing German export sales. Other points for consideration are rising materials costs in Germany in direct contrast to lower costs in Britain.

Coloring the whole transaction is the fact that practically all of the firms are controlled by Jews (as are nearly 90% of all Germany's garment-making plants). England looks on the arrival of the 18 plants as a part of the capital flight from Germany. Reports that new financing for the companies has come from "other Continental countries than Germany" substantiates this belief.

When the Manchester *Guardian* disclosed the bare details of the move, *Der Deutsche Volkswirt* divulged some interesting facts which had not previously come to light in either country.

In the first place, each of the parent firms in Germany was permitted, under special consideration, to take 20,000 marks (roughly \$8,000) from the country, but only in the form of merchandise and new machinery (mostly sewing and cutting machines). German machine manufacturers in this manner benefited in the establishment of the branch plants in England.

A second stipulation demanded by the Reich before facilitating the creation of the foreign branches was that at least 50% of the cloth and other materials must be purchased in Germany.

Protecting Orders

To prevent a loss of orders at the German plants because of this new competition abroad, Berlin declared that for each dismissal of a workman which is attributable to a shift of business to the British branches the firm will pay a "conventional" fine of 1,000 marks.

A fourth stipulation is that profits of the British subsidiaries will be duly transferred to Germany.

Accounts of the agreement vary in Britain and Germany. The significance of the whole deal now is in the way Germany is handling even the emigration of Jewish business so as to get the maximum advantages from it.

Moscow Pep Meeting

Soviet industrial production is well ahead of last year but not up to schedule, so Moscow calls a conference to get action.

Moscow (*Special Correspondence*)—Only the United States built more machinery than Russia last year. No European country produced more tractors, combines, locomotives, and freight cars. The Soviets' electric power production was surpassed only by the United States, German and Canadian output. Their automobile production, while still not great, has passed Italy's, will probably reach half the French total this year. In production of coal, Russia is exceeded only by the United States, Great Britain, and Germany. Only the United States produced more pig iron last year.

Goaded by these impressive comparisons, Russians gathered recently in Moscow to form plans to combat the lag in output which has developed in the heavy industries since July. Completion of 47% of the year's plan by the end of June was hailed at the time as a great achievement. But a slackening in the rate of production has set in since then, has been augmented during the summer by increasing spoilage and a general weakening in organization. Coal, steel, ferrous metallurgy, and the chemical industry are among the key industries that failed to produce the expected monthly advance.

Want Greater Advances

While Russia's general industrial output in the first half of 1934 increased by 29.3% over the corresponding period of 1933 and the present slackened rate of production is considerably above that of last year, Soviet leaders are dissatisfied with a mere general advance and raise a calamitous cry when the plan threatens to be unfulfilled.

If the expansion of the machine-building industry continues according to plan, in 1937 Russia is to produce 40% of the world's total output. She will then be the leading country in the world in locomotive and freight-car production; she will occupy fifth place in the world and third in Europe in the manufacture of automobiles and second place in the world in the production of trucks.

These goals were spotlighted for leaders who assembled in Moscow at the end of September for the All-Union Production Conference. The gold trust, which led all other industries last year by increasing its output 50%, was held up as an example. Not flaunted, but carefully insinuated into the meetings, was the threat of attack if the country is industrially weak. In view of the tension in the Far East, it was probably the strongest appeal the government could make for support.

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Of Business Week, published weekly at New York, N. Y., for Oct. 1, 1934.

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(My commission expires March 28, 1935.)

Is Canada a Capital Refuge?

U. S. investment money may be boosting activity in Canadian bonds and mining stocks, but it is not yet coming in spectacular volume.

OTTAWA (*Special Correspondence*)—Is an abnormal movement of American investment and speculative capital into Canada taking place this year? If so, to what extent is it a flight from the inflated Rooseveltian dollar?

How far is it influenced by current strength of the Canadian bond market and by the unprecedented activity in the Canadian mining fields? Are the unrestricted stock markets of the Dominion magnets for money that is hampered by governmental regulations in its operations in the American markets?

One statistical authority scouts the idea that American capital is in flight to Canada, advancing, in support of his attitude and on the strength of information in his possession, the assertion that Canadians are now buying—have bought in the 9 months of 1934—more securities in the United States than Americans are buying in Canada. His figures on this point are not available, nor are any other reliable figures, but he is in a position to know. If his view were accepted, the slate could be wiped clear of other interrogations. But it is possible to credit his basic assertion and still question his deduction. It may be that there are unusual movements of capital in both directions. The American money could be scampering into Canada for what it deemed better security while, at the same time, Canadian money could be sneaking over and, with the additional advantage of a slight exchange premium, picking up what it considered bargains in securities.

Points of Comparison

It seems to be generally acknowledged that Canada's economic recovery is more pronounced and substantial (*BW*—Oct 6'34), although achieved by less spectacular and expensive methods, than that of the United States. Most branches of industry and business have been regaining their health at a good rate this year. Government bonds and commercial securities have been attaining new post-war price heights. Fruitful prospecting and development in the mining fields are more extensive than ever before; production of gold is expected to reach the new mark of \$100 millions (value last year on the old base was \$61 millions); production and marketing of other minerals surpass all previous records. A price index of 23 mining stocks was up 23% in the first 9 months, while stocks advanced only 5%. The wheat situation is improving—moderate crop, quality good, prices

holding, market outlook brighter. Canadian security and grain markets (there may be a change in the case of the latter) remain free and untrammelled.

Some observers see particular indication of American funds in the mining market. That market has gained greatly in activity this year while the industrial securities market, always influenced by New York and following it closely, has been stagnant. The volume of business on the Toronto Stock Exchange (the big mining market) for the first half of 1934 equalled that for the whole of 1933; volume on the Montreal Stock Exchange (almost entirely industrial securities) was lower by a third for the first 9 months of this year than for the same period of 1933.

Another Gold Rush

The Sturgeon River gold field, near Port Arthur, Ontario, which is attracting a prospectors' rush comparable only to that of the Yukon, shows increasing signs of being one of Canada's richest. United States interests are there.

American capital invested in Canada amounts to over \$4 billions, as compared with about \$2.2 billions of British capital, \$165 millions from other countries. Canada has nearly \$2 billions invested abroad, of which upwards of \$1 billion is in the United States.

Indications of American trading on

Canadian exchanges, the establishment of a Canadian silver market, and allegations of external influences affecting the Winnipeg grain market combine to lend new color to the security and commodity market situation in Canada. There are two principal security markets, the Montreal and Toronto exchanges. Montreal's business is mainly in industrials, which category takes in 2 or 3 outstanding mining stocks. A curb market handles other mining securities. Toronto is the center of trading in mining stocks, business in industrials being relatively insignificant. Prior to the first of this year the industrial and mining exchanges were separate. Vancouver has an exchange, dealing mostly in British Columbia mines. Winnipeg has the one Canadian grain exchange.

The New Silver Market

A silver market has now been started—the Canadian Commodity Exchange, Inc.—Montreal and Toronto interests having joined forces and agreed to locate it in the former city, which, as a larger financial center and a seaport, probably has better facilities. While the new exchange will confine itself at first to silver, the intention is to establish trading in other commodity futures, especially those of special interest to Canada, such as newsprint. Apart from the Winnipeg grain pit, there is no other commodity market in Canada.

Up to the present, Canada has not found it necessary to follow the example of the United States under the New Deal in placing its stock and grain markets under regulations and restrictions. After the 1929 collapse, leaders in Parliament attributed it largely to the "orgy of stock market gambling," talked of the need of restraints, did nothing. Canadian industrial stocks tend to follow New York trends and with Wall Street hobbled there is little danger of Montreal's getting flighty. No new restrictions have been imposed, either, in the case of the mines, but the Ontario government has a Securities Commissioner who closely watches mining stock operations on the Toronto exchange and who is presently opening an investigation into recent unusual and suspicious activity in one well-known stock.

Regulation Talk

While the Chicago grain exchange has been operating under New Deal limitations, Winnipeg has remained free, the only governmental intervention being Ottawa's financing of market operations for stabilization purposes by the central selling agency of the prairie wheat pools. But with allegations by J. I. McFarland, government-selected manager of the central agency, of an unwarranted volume of sales in futures for the purpose of depressing the market, there is now a proposal for regulation, also for Ottawa representation on the Grain Exchange board.



SHANGHAI—Unlike Japan, China has few earthquake worries, and as land values rise in the International Settlement, buildings go higher.

Business Abroad

Europe anticipates repercussions from Marseilles tragedy, foresees no immediate crisis, studies possible new international lineup. Spanish revolution worries Paris. British funds seek investment.

REPERCUSSIONS in Europe from the Marseilles assassinations this week may be felt for a long time but they are not likely to bring any immediate political or economic crisis, either in France or in the Balkans. There are tensions in Europe, just as there were in 1914, but the preponderance of power is on one side—the side of France. Yugoslavia, ally of France since it was created by the Versailles treaty, was disgruntled by the prospect of the new Franco-Italian alliance to combat the Hitler "menace" in Europe. Yugoslavia has never trusted Italy, has always believed that Mussolini will some day attack the country. That was the reason why King Alexander was on the way to Paris to discuss with the shrewd M. Barthou, French Foreign Minister, the future relations of the 3 countries.

Possible Outcome

Possible results of the Marseilles tragedy are numerous. Loss of the strong dictatorial leadership of Alexander may precipitate the breakup of Yugoslavia into the 3 original units from which it was formed and which have never been truly welded into a single nation. This could conceivably bring about Italian intervention, and a Balkan crisis, with or without German cooperation. This, added to political and economic uncertainties in France, could precipitate a crisis which might bring into power a more radical government and force abandonment of the gold standard. None of these is likely.

It does seem likely that Yugoslavia will be a less important power in Balkan councils without the forceful leadership of Alexander, though this may make it easier now for Italy to cooperate with France in an eastern pact. The "threat" across the Adriatic, unless Yugoslavia disintegrates, will be less. Rebuilding of confidence in the Balkans will be retarded, and Central Europe may be an easier prey to subversive outside influences. Europe, aware of recent developments especially in Poland, will watch closely for any signs of attachment to Germany (BW—Oct 6 '34).

All Oppose Hitler

The significant point to be remembered is that France, Italy, Britain, and the Soviet Union are for the moment lined up together rather solidly against a common "enemy," Germany. France claims the backing of her Little Entente (Rumania, Czechoslovakia, and Yugoslavia). Italy has made special overtures to Hungary recently, and Yugoslavia and Bulgaria had only recently exchanged greetings through their kings. Only Poland in this part of the world is definitely flirting with Berlin, and this because of possible economic gains. Austria, however, remains an international pawn, despite the avowed protection of the League. Now Yugo-

slavia becomes for the moment another weak link in the chain.

Almost as disconcerting to Southern and Western Europe are developments in Spain. The revolution this week can be interpreted as another attack by the parties of the Left on the recent concessions which the government has made to what they consider the reactionary Right. Liberals saw ahead a clerical Fascism following the inclusion in the government of powerful members of the Catholic parties. Right or wrong, they struck to "save the Liberal republic they founded 3 years ago."

France, worried by the taunts of her socialists because of her inability to end economic lethargy, is jittery at the sight of this struggle in her back yard, realizes how quickly the unrest could cross her borders. Local elections last week failed to show any startling trend toward the more radical parties.

Gold Bloc Seeks Relief

The Brussels conference of the gold standard nations next week is one hopeful move to ease a difficult situation, but authorities expect small results. Poland, and Germany (only theoretically on gold) will not attend. Holland, Belgium, France, Switzerland, and Italy are left to try to work out plans to expand their trade with each other. Lost in the competitive struggle for world markets in all but their specialties by their high prices, they are attempting to help each other by lowering tariff barriers but the fact that their products are similar and all are lacking in raw materials makes this a difficult problem. Results are likely to be negligible.

Germany

No acute shortage of raw materials despite complete congestion of new import control. Prices are fixed to control profits.

BERLIN (Wireless)—Germany's import control is swamped with applications for permits to bring goods into the country and there is small chance that the situation will be ironed out very soon, but it is unlikely that any acute crisis will develop for industry, for heavy stocks were rushed into the country earlier this year in anticipation of

the import control. Business, nevertheless, is disturbed by the disorganization of routine, and export sales continue to decline in most lines. Industrial activity is standing at levels of the last 3 months, largely because domestic demand has increased to counterbalance a falling off of foreign orders.

No Acute Shortage in Reich

The artificial shortage of foreign goods created by the increasing severity of import restrictions has in many instances raised their prices in Germany far above their "world market parity." This has induced Dr. Schacht to issue an order prohibiting the sale of foreign goods at a higher price than that which corresponds to the foreign price at the time of the sale plus customary incidental expenses (import duty, freight) and the usual profit. Violation of this order is subject to heavy punishments.

This progressing disparity of domestic and foreign prices of imported products has lately become particularly apparent in the case of automobiles. American cars whose landed cost would be about 2,000 marks (roughly \$800) and which ordinarily (including duty and dealer's profit) would be sold at some 3,000 to 3,500 marks are now fetching 5,000 marks and even more.

In certain lines of goods this disparity has a tendency to increase not only because of greater shortage but also because of the deterioration in the quality of the competing German product through use of inferior substitutes.

One of Germany's greatest imports is oil and gasoline. Domestic production, with no end of government coddling, is still small. In the desperate effort to save foreign exchange, the Nazis now have ordered lignite producers to unite in an effort to produce, if possible, 100,000 tons of synthetic gasoline a year.

Great Britain

New capital begins to flow into industry. Ford shares a feature in London. Rubber settles down to 7d. Bargains in transatlantic fares announced.

LONDON (Cable)—Among a flood of capital issues in London, there is beginning to appear a sprinkling of new money. Up until now, most capital issues have been either for refinancing at lower interest rates, for the financing of subsidiaries or the transfer of control from one set of hands to another. One of the offerings was for a new rubber producing company—the first since 1929. This is the direct outcome of the rubber restriction scheme which is working better than the pessimists expected. Industrials and gold mines are also attracting new capital.

The rise in Ford shares on the London market continues to be a feature. It is beginning to be realized that quite apart from the success of the new cars there is at Dagenham a powerful earning-power asset in the blast-furnace which will shortly have Ford's rivals among British manufacturers as its cus-

tomers. It is said in market circles that Henry Ford is himself responsible for some strong buying of the company's shares, but whether as a market move or because prospects are bright enough to warrant the holdings is not known.

English investors are taking a new interest in Radio Corp., chiefly on television hopes. The view taken in London by the majority of observers and experts is that good American equities are worth buying as the market is likely to rise before Roosevelt indulges in further devaluation. There is also quiet English buying of American railroads in the expectation of benefit from the reorganizations.

Money for Hire

While the feeling persists in informed circles that Britain's industrial spurt following the imposition of tariffs is spending itself until the country can break down tariff barriers abroad in bi-lateral agreements and pave the way for another expansion of British export sales, general optimism persists. Unemployment has declined another 55,000. There is a growing demand for gilt-edge securities which is likely to lead to further government conversions in the near future, after which the ban on foreign lending may be further eased.

The market has received favorably the news that British rubber interests are going to be content for the present to hold rubber prices at 7d. First demand for 9d rubber was opposed not only in Britain but by the important Dutch producers who declared it unsound since it would tempt excessive production in regions which are not signatories of the new pact, and would stimulate the use of reclaimed and synthetic rubber. One of the potent factors in sabotaging the Stevenson scheme 6 or 8 years ago was the extensive use in the United States of reclaimed rubber.

Another announcement which has roused general approval in London is the reductions in transatlantic fares by the North Atlantic Conference, of which Cunard-White Star are important members. During the winter months, beginning at the end of this month, special round trip offers as low as \$109.50 in third class are being made, the one limitation being a 15-day stopover on the other side. It is expected that this radical reduction will stimulate travel during the usually dull winter season. Bottom rates in the popular tourist class have been dropped to \$139 round trip.

France

Marseilles assassinations, local elections affect business. Steady deterioration in most lines. Doumergue proposes "brain trust."

PARIS (Wireless)—All business in France reacted to the shock of the assassinations at Marseilles, but coming as they did at the end of the day there was time for first fears of international complications to cool and for official support to be brought to the market. It was the fear of most knowing Frenchmen that



SPAIN'S OUTBURST—Left-wing efforts to oust Catholic party members from the cabinet precipitated the fatal rioting in Spain. It was just one more phase of the post-monarchy conflict between extreme conservatives and extreme liberals. Madrid was the scene of many violent street brawls, such as this.

the incident, coming as it did in the midst of a tense and not very happy domestic situation, might precipitate an economic crisis at home rather than start a political crisis abroad. It will be a week before any sound appraisal of the situation can be taken.

No Political Upheaval

France is a little less in the air about the domestic political situation. Local elections last Sunday showed no indication that Frenchmen are dissatisfied with their government. With few exceptions, candidates of the same political complexion as the national government were voted into office. The remaining regions which are to vote Oct. 14 are not likely to show a great difference in trend.

Except the textile industry, which is showing marked improvement from the recent tremendous slump, business is not improving. Department store sales are off badly, with one of the most important Paris concerns forced to ask for a 2-month extension on bills payable. The motor show, while attracting large crowds, reports fewer sales. The Bourse is inactive, with the price trend persistently downward.

Indicating the trend of business activity, the Finance Committee of the Chamber of Deputies has announced that factory activity at the end of August compared with the same time a year ago was down 15%, carloadings were off 10%, unemployment had increased 50%, bankruptcies were up 40%.

Premier Doumergue's radio address continued to hold public attention up to the time of the Marseilles affair. Of the four proposed constitutional changes which he asked to reinforce the central executive power, one was the constitution of a National Economic Board and of local economic boards. In order to

possess all necessary economic data concerning local situations and also to have the assistance of experts, the Premier proposed the creation of regional economic boards whose reports would be centralized and discussed by a National Economic Board which would become the Technical Economic Adviser to the government. These various boards would comprise representatives of the local industries, professions and trades but in a very small number in order that they should not lose their definite character of commissions and not be assemblies.

It is difficult not to compare Mr. Doumergue's initiative with President Roosevelt's "Brain Trust," but the proposal is not sufficiently detailed to know yet how far the analogy can be carried.

Canada

Public invests heavily in conversion offering. Wheat "dumping" worries government, but no official action taken yet.

OTTAWA—The \$250-million conversion loan appears to be going over successfully. At the end of the 5th day over \$175 millions had been subscribed and the daily volume of orders was increasing. Finance Minister E. N. Rhodes stated that subscriptions on the fifth day were far in excess of the same day in last year's loan. Canadian investors seem to regard the reduced interest rates sufficiently attractive. Most of the subscribers are converting Victory bonds, but a considerable quantity of new money is coming out. The bulk of the maturing bonds are of the bearer variety, the identity of whose owners are unknown.

so that conversions are for the most part voluntary, as no direct appeal can be made to the holders of the bearer bonds.

The prospective success of the loan follows close upon the receipt of subscriptions for 232,000 shares of Bank of Canada stock when only 100,000 were offered. Subscribers numbered 14,000. Large subscriptions are being pared down to effect wide distribution.

No Action on Wheat

So far Ottawa has taken no action on allegations of unwarranted "dumping" of wheat futures on the Winnipeg market by outside interests, which allegations aroused the country last week and were followed by a drop of 5¢ or 6¢ in Winnipeg prices. Prime Minister Bennett in London has been advised of the situation but it is not known whether action will be deferred till his return. The Ottawa government, through the agency of John I. McFarland, manager of the central agency of the provincial wheat pools, has supported the market by buying futures during the last 2 or 3 crop years and come out of its transactions without loss. It is supporting it again this year, its purpose being to provide a market for the farmers at the best possible price level. McFarland emphatically denies any dumping by the government agency. Until actual consumers want the wheat, the agency will not sell its holdings, he says.

Nearly three times as many radio receiving sets were sold in Canada during the first half of 1934 as in the same period of 1933, and the average price was a third higher. Sets sold numbered 38,000, value \$2,165,000, compared with 22,250 sets, value \$627,000 for the first half of last year. The average factory price jumped from \$28 to \$37. Automobile sets sold this year numbered 8,000.

Latin America

Brazil supports coffee prices; cotton brings prosperity. More strike troubles in Cuba.

COFFEE prices were given a fresh stimulus late last week by the terse report from Brazil that nearly a million bags of coffee would be withdrawn from the current market. There is no definite announcement that the surplus will be destroyed. Authorities in New York, in fact, anticipate no announcement of a further destruction program, the last one having succeeded in removing the unmanageable surplus from the market and the current crop being short.

Further reports from Rio de Janeiro indicate that cotton is rapidly becoming the country's second great export crop (*BIT—Sep. 15 '34*), the value of exports this year being only slightly less than coffee exports. One large Brazilian planter declared that there was more profit to the individual in cotton this year than there had been in coffee in the last 30 years. One large American automobile sales office in Brazil reports that 40% to 50% of all sales in recent months have been to people interested in one way or another in cotton.

Cuba is again disturbed by labor troubles. Peru is preparing to collect new income taxes effective Jan. 1. Basic rates range from 5% to 7%, with a progressive surtax beginning at 2%.

Far East

Australia continues to make economic progress. American sales to Orient up 54% for 8 months.

AUSTRALIA remains a bright spot in the economic picture in the Far East. The federal elections are over and, despite the small increase in representation of radical parties, the 2 conservative parties dominate the situation. They form the government which is credited with bringing the treasury out of the red as far back as 1932, of building up a favorable balance of trade which last year was nearly 50% greater than the previous year, and of restoring the country's credit abroad. With election uncertainties out of the way, confidence is returning and retail trade is more active.

There are a few adverse factors in the picture. Wool prices are well below the levels of last year which brought actual prosperity to an important part of the population. Wheat and butter, next important export items, are selling less profitably than a few months ago. And a number of good customers are threatening to raise restrictions against Australian products, among them Japan.

Better Prospects

Counterbalancing these developments are exceptionally favorable weather conditions for agriculture, steady expansion for iron and steel products, rising volume of building contracts.

Japan is still concerned with restrictions against her goods in various foreign markets which are easing the export boom of the last few years. Canned goods—largely fish and bamboo sprouts—are an important item. When a breakdown of 1933 exports was made recently, it showed Britain and the United States were important markets.

	1933	1932
	(1,000 boxes)	
Great Britain	1,093	888
United States	891	482
France	487	272
South Seas	273	44
Manchukuo	134	57

Automobile sales in Japan are mounting to levels exceeding any in the last 4 years. In Tokyo, where the greatest competition is offered by European and Japanese cars, 96% of the sales during the second quarter of this year were American cars, 3% Japanese cars, and 1% European cars. It is estimated that about 80% of all the new passenger cars sold in Japan during this period were for use as taxicabs.

United States sales to the Orient in the first 8 months of this year were 54% greater than a year ago. Both China and Australia took 83% more American imports. Japan increased her purchases 55%.

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DOLLAR
STEAMSHIP LINES

Money and the Markets

Europe's political worries upset foreign exchange situation. Bond market feels better about government position. Sales reports and mild dividend shower encourage stock traders. Foreign influences disturb grain prices.

CAREFUL calculation of probabilities in foreign exchange developments were thrown into the discard this week by the Marseilles assassinations. Introduced into a situation of extreme nervousness over the ability of France to maintain the gold standard and keep tied in with it the group of neighboring gold currency nations, the immediate reaction was a panicky exodus of capital from France which reversed the entire trend of exchange movements over the preceding 2 weeks.

BIS Statement

The episode followed upon the heels of a declaration of confidence in the ability of the gold bloc to survive that issued from the directors of the Bank for International Settlements. That statement, while accepted skeptically on this side of the Atlantic, had proven of material assistance to France. This was indicated in the accelerated appreciation of its currency in relation to the pound sterling.

Its good effects and the careful preservation of the franc's position during the period of rising dollars was cancelled by the first swift reaction of nervous capital to the news of the assassin's bullets, the effects of which were fortunately tempered by the timing. Coming as it did after official banking hours, it permitted mobilization of outside sup-

port to the wavering franc before resumption of regular foreign exchange trading.

Pounds sterling and dollars were the first havens sought by frightened French capital and, in consequence of its greater availability and familiarity, the pound received the greatest impetus. The result was to check the steady downward drift of London exchange, which had patently been headed for levels below the old \$4.8665 dollar parity.

It was presumed that London would seek to depress the pound below the old parity figure if for no other reason than to strengthen its position for negotiating with this country on stabilization. From a level of \$4.75 or lower, it would be able to claim that it was sacrificing some world trade advantage in compromising at \$4.86 and that would put it in a trading status comparable to that of the United States with its leeway to 50¢.

In answer to the accusation of "sabotaging" the New Deal by its niggardly credit policies, the banking system can now claim more bank credit outstanding than at any time since the first of 1932. Since midsummer the investment of bank funds and granting of credit has gone exclusively into business channels. Each week since July 18, the volume of commercial loans outstanding has expanded, and although by modest weekly

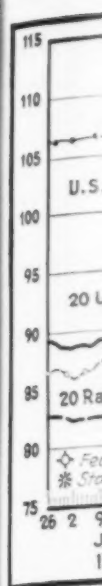
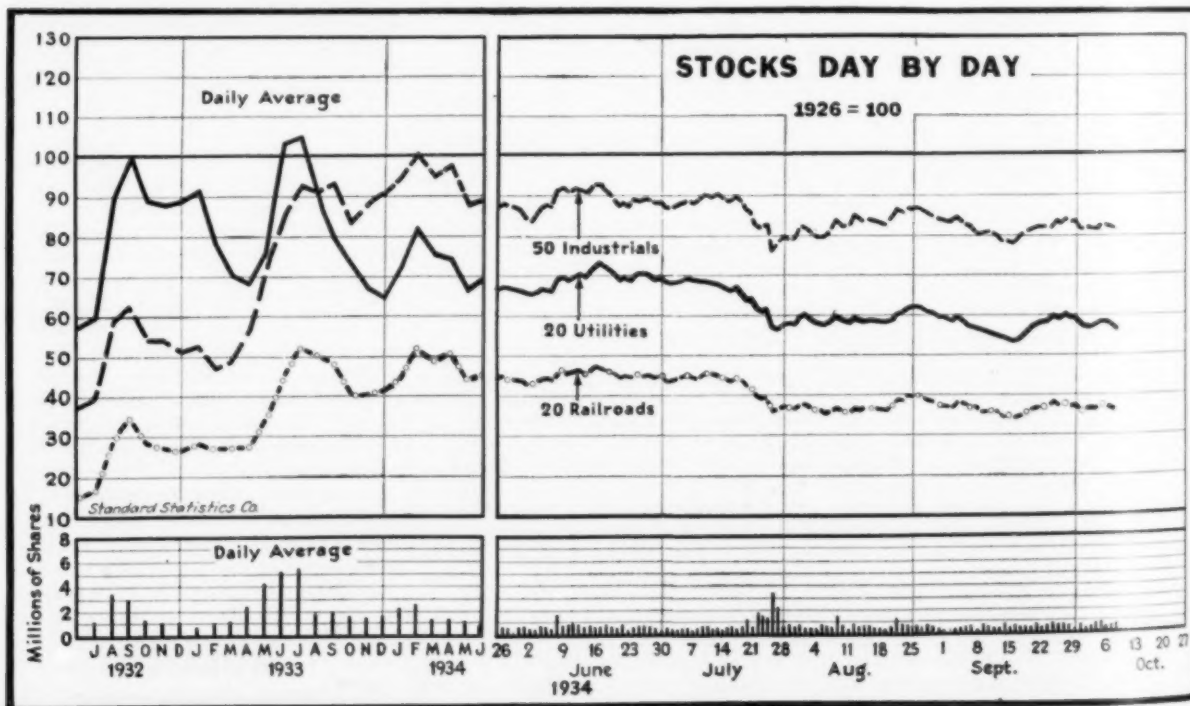
amounts, the total increase in reporting member banks in leading cities amounts to \$300 millions. The total of such loans at the first of October was \$4,747 millions and the trend should continue of banking follows its usual seasonal course to a peak at the year-end.

Contrary to general impressions, the banks have not been accumulating government bonds recently. The peak of government holdings coincided with the renewal of commercial credit demands. At that time they totaled \$6,667 millions. The total at October 1 was \$31 millions less, or \$6,636 millions. During the same period, however, banks have added to their portfolio of miscellaneous investments, primarily corporate bonds, in the amount of \$272 millions, and these now amount to \$3,381 millions which is of course another indirect accommodation of business.

The big liquidation continues to take place in collateral loans, not from market accounts which were long since reduced to inconsequential levels, but from frozen secured loans, many carried over from the market break of 1929. Since midsummer such collateral loans have shrunk \$475 millions from \$3,522 millions to \$3,047 millions.

Bonds

COMPLETION of the government's refunding operation, and on far more favorable grounds than was expected when the conversion offer was first announced several weeks back, lifted a drag that has been felt in the investment markets throughout that period. Government bonds assumed leadership in the rally but renewed interest extended to a broad assortment of corporate obligations.



Foreign bonds substantially thrown into new political Europe.

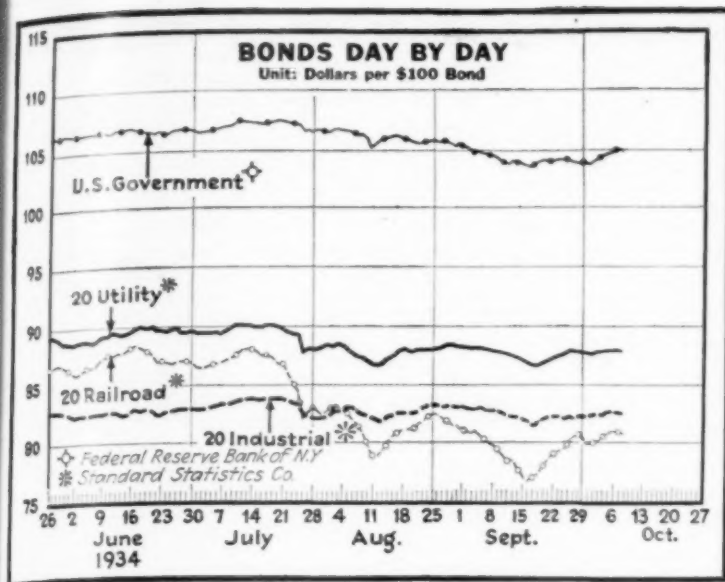
Although government bonds have advanced ahead of other securities that encourage the market, the market has been concentrated in government credit.

Another cause of the Oct. 15 for the trend to increase credit. The regular refunding would be interrupted after Dec. 1, except routine Oct. 15, when \$50

Stocks

New uncertainty in foreign situation has spurred a stock market rally in which it has been a spark of interest in favorable reconditioning of the market for better sentiment.

Aside from the market for better retail sales, strengthening of the favorable dividend has given it a fresh interest and brokerage busily searching for candidates to meet list.



Foreign bonds, which had recovered substantially from recent lows, were thrown into confusion by the threat of new political disturbances in Southern Europe.

Although government spokesmen were frank to admit that the Treasury still has ahead of it a heavy budget of financing for emergency and relief expenditures that cannot be curtailed immediately, the market senses that efforts will be concentrated on improving government credit for the benefit of another sizable refunding operation in December.

Another call of Fourth Liberty Bonds on Oct. 15 for payment next April should tend to increase confidence in government credit. It would indicate that the regular refunding program was not to be interrupted by deficit financing. It would present no great problem, since after Dec. 15 there are no maturities except routine weekly bills until Mar. 15, when \$500 millions of notes are due.

Stocks

New uncertainties thrown into the foreign situation and a holiday week hampered a stock market that otherwise gave promise of getting out of the doldrums in which it has been floundering. A new spark of interest had been provided in favorable reports emanating from merchandising lines at a time when the better sentiment engendered by heartening Washington news had prepared the market for better things price-wise.

Aside from the encouragement provided in the enormous gains of September retail sales, the market had another strengthening factor in the wave of favorable dividend announcements which has given it a number of new specialties to stimulate trading. This source of fresh interest has not been exhausted and brokerage house statisticians are busily searching the records for other candidates to add to the dividend prospect list.

The search is concentrated on balance sheets which indicate excessive surplus and small dividends in relation to current earnings. It is inspired by the discovery that the internal revenue department is looking hungrily at large corporate reserves for additional taxes.

The power to tax accumulated earnings where there is indication that they are being held to avoid surtax levies against shareholders has been in the revenue law before. Previously, however, the penalty was considered excessive and the tax unenforceable. Last year Congress cut the penalty and made it progressive, 25% on the first \$100,000 of "improperly accumulated" surpluses and 35% above \$100,000. "Improperly accumulated" is defined as meaning surpluses above those required for reasonable business reserves.

Surprise Dividend

The feature of the dividend news to date was Mesta Machine Co.'s declaration of a 66 2/3% stock dividend following a doubling of the cash rate 2 months ago. It was the more pleasant surprise and attracted wider attention since it came from a company in the capital goods industry. Its action contradicted the too prevalent idea that such enterprises have been completely devoid of business and is a direct reflection of the substantial new capital expenditures made by the steel industry this year. Mesta makes rolling mill equipment and practically builds entire plants for the steel industry.

Oil stocks provided a surprise feature of strength to recent markets, their popularity contrasting with the bearish news originating from the trade which is in the midst of gasoline price wars. But the Street looks for a good third-quarter and 9 months' earnings, and feels that the final 3 months' profits could well be sacrificed if the acute troubles now developing bring problems to a head and get them cleared up before the trade goes into its new season.

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GENERAL MILLS, INC.

Common Stock Dividend

October 1, 1934

Directors of General Mills, Inc., announce the declaration of the regular quarterly dividend of 75c. per share upon the common stock of the company, payable November 1st, 1934, to all common stockholders of record at the close of business October 15, 1934. Checks will be mailed. Transfer books will not be closed.

(Signed) **KARL E. HUMPHREY,**
Treasurer.





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Commodity Markets

COMMODITY prices have been subjected to a series of acutely depressing influences over recent weeks. World conditions have been so adverse that the protective devices thrown around most domestic prices have proved inadequate to prevent repercussions. Even had absolute isolation from world influences been possible factors at work within our own borders would have put prices to a severe test, particularly in view of the peak which quotations on many items reached in the late summer rise.

It became apparent months ago that political disturbances abroad, added to the economic distress of foreign purchasers, precluded hopes of large export volumes through usual channels. It was not fully appreciated, however, how goods pressing for sale abroad would react upon our protected domestic price structure.

Grain prices are just now attempting to recuperate from the shock administered by the wide-open break in foreign wheat prices last week. Here is an instance where elimination of surplus stocks had furnished what appeared to be full justification for the comparatively high level of prices. Nevertheless, surprise offerings of wheat from France and the Argentine backlashed on the domestic markets in such a way as to wipe out the price advance resulting from the curtailment of current crops to bare consumption requirements.

Canadian Hinge

This was in spite of the fact that domestic wheat has the protection of a 42¢ tariff and also that little of the foreign supplies offered would be of a quality acceptable to United States millers. However, American prices hinge upon those in Canada under present conditions and Canada, unlike ourselves, must look for an outlet abroad. Fortunately for the American farmers, the Canadian

price controls proved adequate to the emergency presented by the dumping of French and Argentine grain and finally stopped the toboggan.

Uncertainty regarding the Washington policy toward prices has been a thoroughly adverse influence. As yet, the new NRA administration has had no opportunity to clarify its position. Secretary Wallace took occasion recently to repeat his previous observations that domestic prices for export farm products must eventually get in line with world prices.

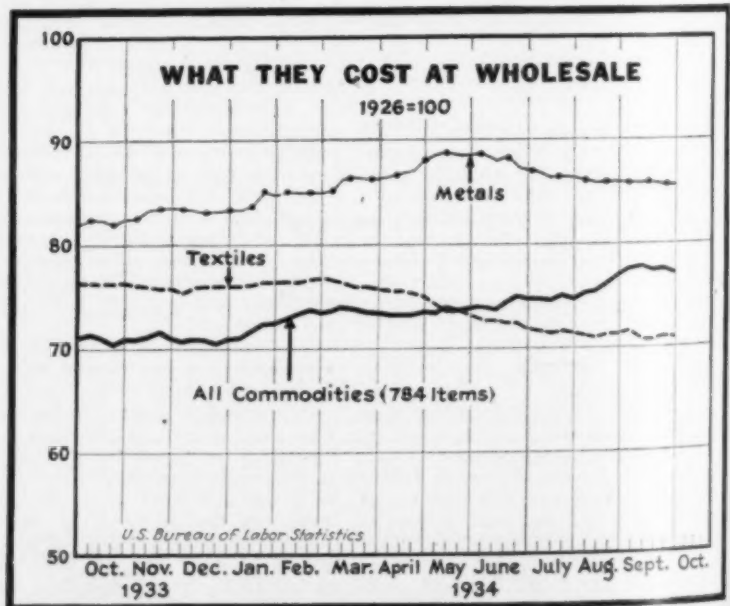
Right Works Wrong

To an unknown but evidently appreciable extent the removal of "inflation" hedges represented by long positions in some of the speculative commodities has added to the volume of recent selling, so the presumption that Washington is swinging to the right has actually worked to the immediate disadvantage of prices.

Throughout the period of reaction and irregularity there has been a strong undercurrent of actual buying by processing and manufacturing interests that has continued to exert a stabilizing influence on the major commodities. This influence was strikingly apparent when the break in wheat to below the dollar level touched off one of the most active buying movements the flour milling trade has experienced this year.

Cotton, exception to the observation that trade buying appears upon price recessions, has drifted downward to the 12¢ government loan figure, with the greater part of heavy current ginnings going into government loans.

Outcome of the 24-hour suspension of the 2.29¢ per lb. minimum Cuban sugar price received varying interpretations. Only 145,000 tons of sugar were sold at the special inducement price of 2.18¢ although 250,000 were offered.



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Editorially Speaking—

FEDERAL tax experts have the bootleggers on a gallop toward oblivion. Producers and distributors of corn sugar, yeast, and other ingredients of distilled liquor are now required by law to keep records of sales and shipments. These records are closely checked by government men as they close in on the sources of supply previously available in unrestricted quantities. Many illicit stills are being seized; the ones still operating are being forced to shift to such substitutes as cane sugar, involving a more expensive and longer operation. And since there is plenty of legal liquor to be had, the bootlegger is a much worried man.

WHEN Chicago's disastrous stock yards fire was squelched last May, about all that was left of the Live Stock National Bank was a mass of debris, surrounded by four gaunt walls. But after 24 hours of feverish activity, borrowing furniture, boarding windows, erecting partitions, business was resumed on a Monday morning without interruption. The inconvenience was no handicap to deposits, which rose from \$11 millions at the time of the fire to \$17 millions now. Bankers elsewhere probably will start praying for fires at once.

REALTORS are heartened by the monthly index of activity in their business compiled by the National Association of Real Estate Boards. Based on official reports of deeds recorded in 64 typical cities, real estate activity in August was 2.5% of the 1926 base, highest this year, and a gain of 4.2% over July, 5.1% over a year before. Brightest to most was the fact that the gain was general, not sectional.

MANY hecklers of the Roosevelt "Brain Trust" are heaving boomerangs, a friend of the New Deal declares. Look at our big corporations with their batteries of technical advisers, business experts, economists, counsels. Brain trusts—all of them, he asserts.

THE "hot dog" bowed to the hamburger as favorite in the eyes of visitors who have dined in the Thompson restaurants at the World's Fair so far this year. Meat is the biggest item of food eaten and hamburgers lead all meats by a wide margin, daily equalling in weight a couple of cows. Coffee remains far and away the most popular beverage, and apple pie champion of desserts, with cherry second, blueberry third.

THE business side of the recent baseball world's series is something to talk about too. The sporting enthusiasts who swarmed into Detroit left the town after the first two games with their wallets

lighter by several hundred thousand dollars. Theaters, taxicabs, restaurants, liquor stores, and especially hotels were deluged with customers. Detroit's five leading hotels collected \$22,500 daily from 5,000 guests for rooms only, and those same quests averaged \$10 each daily for liquor and food. St. Louis got in on a similar spending flurry during the 3 games played there, which is why many once hopeful New Yorkers are so dejected.

AAA officials in the Pacific Northwest betook themselves to the skies this year to measure the wheat fields of Washington and Oregon farmers who signed acreage reduction pacts. They used aerial photography to supplant the cumbersome chain and wheel methods. It costs just about one third as much as measuring by wheel, and (enlightens a control official) it's also much more accurate and precise. Grasping farmers, if any, won't be cheered by that.

MORE money was spent on advertising last year by Sears, Roebuck than in any previous year in its history. Nearly \$7.4 millions went to 830 newspapers in the 43 states where the company's 400 retail stores operate, an increase of 14.8% over 1932. In the four years ended with 1933 its expenditures for merchandise, payrolls, newspaper advertising, rents, and taxes totaled \$921.6 millions. During the same period 99.25% of Sears' merchandise was bought in the United States from 6,600 manufacturing concerns located in 44 states.

THE National Automobile Chamber of Commerce is now in name what it always has been in fact—the Automobile Manufacturers Association. The change in name, expected for some time, took place officially this month.

THE town planning council of Capetown (South Africa) wants a 120-foot limit placed on the height of buildings in the Cape of Good Hope Province. High buildings congest traffic, says the council, and obstruct light and air from surrounding buildings, injuring the health of workers "as is seen in the case of New York." Not to speak of giving visitors sore necks from craning.

CORPORATIONS doing business in Alabama will be interested in Governor-elect Graves' sponsorship of a radical revision of the foreign corporation law in that state. In an effort to frame a model law, the drafters are seeking criticisms from corporations familiar with present statutes. They are asked to write to Suite 1003 Bell Bldg., Montgomery, Ala.

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Socialism and Banking

The problem of socialized banking is being shushed out of sight and hearing as though it were some disease. Bankers merely whisper about it. Organized business pretends to ignore it, while demagogic politicians plan to make the most of it as they were taught by Andrew Jackson.

Socialized banking is usually defined as meaning complete government ownership of banking facilities, or at least of central banking facilities, and unlimited government control over all credit and monetary matters. The socialization of our banking system began the day the Federal Reserve Act was signed, and we had come a long way from rugged individualism in banking before Mr. Roosevelt was inaugurated or even nominated.

Credit is the life-blood of business. Business is told that its sources of credit must be socialized in order to prevent a repetition of the mad speculation of the late 1920s and the ghastly depression which followed. Neither business nor banking seems to have taken the trouble to figure out that a relatively moderate and politically unsatisfactory degree of socialization was almost wholly responsible for the débâcle of 1929 and the poverty and misery that followed.

The truth is that with the exception of a few months during the administration of Woodrow Wilson there has never been a time since the Federal Reserve banks were opened in 1914 that the system has not been completely under the domination of the Treasury Department and manipulated for the political benefit of the Administration rather than for the economic safety and prosperity of the country.

The Federal Reserve system has never been a reserve system. Its checks and balances on the flow of credit and the activity of business have been normal and rational but rarely, and then only by accident. The facilities of the system have been abused constantly in order that the

thrift of an administration might be improved by borrowing new money or refunding old obligations at an unnaturally low interest rate. They were used also to prove that several secretaries of the Treasury deserve comparison with Alexander Hamilton.

It was this arbitrary government cheapening of money that made the boom. The refusal of the government to pay an honest price for money and to let credit take its natural course, even when banks were swollen to bursting and gambling had become a national madness, was responsible for most of the evils of the last five years.

Now the government has absolute control over more than half the banks of the country through loans and investments of the Reconstruction Finance Corporation. Federal insurance of deposits offers another instrument of control. The Banking Act and the Securities Act give the government almost complete control over the country's investment credit. It would seem that we have gone far enough and fast enough in the direction of socialized banking for the present. Mere unofficial statements that the Administration does not want a central bank at this time is not sufficient assurance. Business should see to it that further government encroachments on the country's credit cease.

Price-Fixing Furore Is Mostly Inspired

NRA will be wise to make haste slowly in overhauling the price control provisions of the codes. There should be no blanket orders. The case of each industry should be considered in the light of its peculiar circumstances. The new administrators of NRA have more important and more urgent things to do, despite all the hue and cry about code prices.

No business man should be so green as to suppose the current furore against "price fixing" is spontaneous.

It is nothing of the sort. It has been carefully and persistently stimulated. There are business groups that would profit in the future as they used to fatten in the past upon demoralized markets. Price stability has grievously cramped their style. So they have hammered the codes, sometimes openly, more often surreptitiously. All this has had its effect. In Washington, it may have sounded like the authentic voice of business.

The cleverest propaganda has been to befuddle the public, and even many officials, by calling every code clause relating to prices by the opprobrious name of "price fixing." This has been highly successful.

There isn't much actual price fixing under the codes. Price fixing is set up in the oil, coal, copper, and lumber industries because they deal with natural resources, and therefore are in a special situation. Aside from these, actual price-fixing codes are few. No code covering production or distribution of consumer goods or ordinary articles of commerce or trade contains clauses for actual price fixing.

It is clear, then, that if all the price fixing under NRA were to be abolished tomorrow (excepting the natural resource industries) it would be of no important benefit to the agitators. What they really want to do, of course, is to destroy the open-price plan. Of the first 500 codes approved (virtually all the important industries being covered) 248 provide for the open-price plan, complete or modified. Only 38 contain other provisions pertaining to price.

Open-price listing is not price fixing, as every business man knows. Admittedly it does lead to uniformity of prices for identical commodities. But identical commodities naturally tend to sell at level prices. The open-price list stops business assassinations in dark alleys, and brings competition into the light of day. It is a protection to the consumer because it guarantees that nobody is getting a better price than he. It brings stability and order which protects the employees. It does not freeze prices at uneconomic levels. Any member of an industry is free to file new and lower prices at any time. Witness steel.

It is our prediction that the propaganda campaign will fail and the open-price plan of operation will not be disturbed by NRA. But NRA is open to one severe criticism; it approved some codes with open-price provisions for industries which do not produce highly standardized or easily comparable products, the open-price plan is easily used as camouflage for skulduggery at consumer expense. These codes should be searched out and purged.

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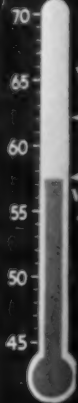
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